

Docket		<u>A.22-01-003</u>
Exhibit Number	:	<u>Cal Adv -</u>
Commissioner	:	<u>Genevieve Shiroma</u>
Administrative Law Judge	:	<u>Susan F. Lee</u>
Cal Advocates Project Lead	:	<u>Mehboob Aslam</u>



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPORT ON THE RESULTS OF OPERATIONS**  
**SAN GABRIEL VALLEY WATER COMPANY**  
**GENERAL OFFICE & SPECIAL REQUESTS**  
**[PUBLIC]**

**Test Year 2023-2024**

**Escalation Years 2024-2025 and 2025-2026**

**Application: A.22-01-003**

**Los Angeles, California**

**July 28, 2022**

## Contents

1		
2	<b>MEMORANDUM</b> .....	<b>III</b>
3	<b>EXECUTIVE SUMMARY</b> .....	<b>IV</b>
4	<b>CHAPTER 1 GENERAL OFFICE EXPENSES</b> .....	<b>1-1</b>
5	<b>I. INTRODUCTION</b> .....	<b>1-1</b>
6	<b>II. SUMMARY OF RECOMMENDATIONS</b> .....	<b>1-1</b>
7	<b>III. ANALYSIS</b> .....	<b>1-2</b>
8	A. New Positions & Payroll Expenses .....	1-2
9	B. General Office Operating & Maintenance Expenses.....	1-14
10	C. General Office Administrative & General Expenses.....	1-15
11	D. Health Reimbursement Arrangement .....	1-17
12	<b>IV. CONCLUSION</b> .....	<b>1-22</b>
13	Attachment 1-1: San Gabriel’s Response to DR SLM-013,	
14	ATTACHMENT 1.....	1-23
15	Attachment 1-2: San Gabriel’s Response to DR SLM-010.....	1-25
16	Attachment 1-3: San Gabriel’s Response to DR SLM-013 .....	1-31
17	Attachment 1-4: San Gabriel’s 06.08.2022 Email Response to Discovery	
18	Regarding GIS Developer.....	1-41
19	Attachment 1-5: San Gabriel’s Response to DR SLM-012.....	1-46
20	Attachment 1-6: San Gabriel’s 06.08.2022 Email Response to Discovery	
21	Regarding GIS Developer, Attachment A.3 .....	1-65
22	Attachment 1-8: San Gabriel’s response to Cal Advocates’ DR LCN-018	
23	(Misc. 3), Attachment LCN-018, Q1.....	1-69
24	Attachment 1-9: San Gabriel’s response to Cal Advocates’ DR LCN-016	
25	(Misc.), Attachment LCN-016 Employee Turnover.xlsx.....	1-71
26	<b>CHAPTER 2 GENERAL OFFICE RATE BASE</b> .....	<b>2-1</b>
27	<b>I. INTRODUCTION</b> .....	<b>2-1</b>
28	<b>II. SUMMARY OF RECOMMENDATIONS</b> .....	<b>2-1</b>
29	<b>III. ANALYSIS</b> .....	<b>2-1</b>
30	A. IT Upgrade Project – Phase I and Phase II .....	2-1
31	B. Vehicle Replacement Program .....	2-3

1	<b>IV. CONCLUSION .....</b>	<b>2-4</b>
2	Attachment 2-1: Response to DR SLM-005 .....	2-5
3	Attachment 2-2: Response to DR LCN-015 .....	2-8
4	<b>CHAPTER 3 GENERAL OFFICE COST ALLOCATIONS.....</b>	<b>3-1</b>
5	I. INTRODUCTION .....	3-1
6	II. SUMMARY OF RECOMMENDATIONS .....	3-1
7	III. ANALYSIS.....	3-1
8	A. Allocation of Administrative Salaries and Other Costs to	
9	Affiliated Companies .....	3-1
10	B. Four-Factor Allocation .....	3-2
11	C. Overhead Allocation Rate.....	3-3
12	IV. CONCLUSION.....	3-3
13	<b>CHAPTER 4 SPECIAL REQUESTS REVIEW.....</b>	<b>4-1</b>
14	I. INTRODUCTION .....	4-1
15	II. SUMMARY OF RECOMMENDATIONS .....	4-1
16	III. ANALYSIS.....	4-3
17	A. Special Request 1: Compliance with Water Quality .....	4-3
18	B. Special Request 2: Incorporate Subsequent Rate Changes..	4-3
19	C. Special Request 3: City of Montebello Acquisition .....	4-3
20	D. Special Request 4: Amortizations of Memorandum and	
21	Balancing Accounts .....	4-5
22	E. Special Request 5: Credit/Debit Card Program .....	4-5
23	F. Special Request 6: Low-Income Customer Rate Assistance	
24	Program Name Change.....	4-7
25	G. Special Request 7: Disposition of Balance of Net	
26	Contamination Proceeds Recorded in LA County Division	
27	Plaintiff Water Quality Litigation Memorandum Account	
28	(Plaintiff WQLMA) .....	4-7
29	H. Special Request 8: Incorporate Most Recent Escalation and	
30	Inflation Rates.....	4-10
31	IV. CONCLUSION.....	4-11
32	<b>APPENDIX-A: QUALIFICATIONS OF WITNESSES .....</b>	<b>A-1</b>
33		

## MEMORANDUM

The Public Advocates Office (“Cal Advocates”) at the California Public Utilities Commission (“CPUC” or “Commission”) examined application material, data requests responses, and other information presented by San Gabriel Valley Water Company (“SGVWC” or “San Gabriel”) in Application (“A.”) 22-01-003 (“Application”) to provide the Commission with recommendations that represent the interests of ratepayers for safe and reliable service at the lowest cost. Mehboob Aslam serves as Project Coordinator, under the general supervision of Program Manager Richard Rauschmeier, and Program & Project Supervisor Victor Chan. Ms. Shanna Foley serves as Cal Advocates’ legal counsel.

Although every effort was made to comprehensively review, analyze, and provide the Commission with recommendations on each ratemaking and policy aspect presented in the Application, the absence from Cal Advocates’ testimony of any issue connotes neither agreement nor disagreement with the underlying request, methodology, or policy position related to that issue. The following table shows the list of Cal advocates’ witnesses and the related chapters:

<b>Chapter</b>	<b>Description</b>	<b>Witness</b>
-	Executive Summary	Mehboob Aslam
1	General Office Expenses	Sam Lam/ Lauren Cunningham
2	General Office Rate Base	Sam Lam
3	General Office Cost Allocations	Sam Lam
4	Special Requests	Jawadul Baki/ Chandrika Sharma
Appendix A	Statements of Qualifications	All

## **EXECUTIVE SUMMARY**

SGVWC filed Application (A.) 22-01-003 on January 2, 2021, requesting a revenue requirement increase in its Los Angeles County division by \$10,791,000 (13.1%) in Test Year 2023-2024, \$4,847,000 (5.2%) in Escalation Year 2024-2025, and \$5,044,000 (5.1%) in Escalation Year 2025-2026, and in its Fontana Water Company division by \$9,202,000 (11.3%) in Test Year 2023-2024, \$5,164,000 (5.7%) in Escalation Year 2024-2025, and \$5,281,000 (5.4%) in Escalation Year 2025-2026. The Public Advocates Office recommends a revenue requirement increase of \$4,096,913 (5.0%) in the Test Year 2023-2024, and an estimated revenue requirement increase of \$3,041,437 (3.5%) in Escalation Year 2024-2025, and estimated revenue increase of \$3,128,796 (3.5%) in Escalation Year 2025-2026 for Los Angeles County Division, and for Fontana Water Company division \$2,636,529 (3.2%) in the Test Year 2023-2024, \$3,343,657 (4.0%) in Escalation Year 2024-2025, and \$3,356,981 (3.8%) in Escalation Year 2025-2026. The Public Advocates Office's recommendation is consistent with the provision of safe, reliable, and affordable utility service.

### **1. Key Recommendations**

The Commission should adopt the following recommendations:

- Deny twelve (12) new positions in General Office positions from revenue requirement due to lack of needed support to justify the news positions. For more details, please refer to Chapter-1 of this report.
- Reject SGVWC's request to include six months of actual operating cost related to Phase II of IT Upgrade Project in the authorized memorandum account and instead amortize the actual operating cost over the period of this GRC cycle and close the memorandum account. For more details, please refer to Chapter-1 of this report.
- Adopt an annual regulatory expenses budget of \$107,898 as opposed to SGVWC's request for \$113,499. The difference is due to Cal Advocates' recommendation that the Commission deny the speculative cost of \$16,800 SGVWC requests for the various Order Instituting Investigations ("OII's") and Order Instituting Rulemaking ("OIR's"). For more details, please refer to Chapter-1 of this report.
- Deny SGVWC's proposed Health Reimbursement Arrangement ("HRA") plan annual cost of \$357,150. For more details, please refer to Chapter-1 of this report.

- Deny a cost overrun amount of approximately \$1,330,233 for the Phase II of IT Upgrade Project that the Commission previously authorized with a total project cost not to exceed \$14 million. For more details, please refer to Chapter-2 of this report.
- Adopt a vehicle replacement program budget of \$210,000 for the Test Year 2023-2024. For more details, please refer to Chapter-2 of this report.
- Adopt SGVWC's General Office costs allocation methodology. For more details, please refer to Chapter-3 of this report.

## 2. Recommendations For Special Requests

- **Special Request #1:** The Commission should find SGVWC's Los Angeles County and Fontana Water Company divisions' water systems to be compliant with the applicable water quality standards. For more details, please refer to Chapter-15 of each division's report.
- **Special Request #2:** The Commission should approve SGVWC's request to incorporate subsequent rate offsets in a final GRC decision, which results in either rate increase or decrease to the extent they are reasonable. For more details, please refer to Chapter-4 of this report
- **Special Request # 3:** The Commission should approve SGVWC's request to incorporate reasonable changes in revenues, rate base and the adopted number of ratepayers served due to the final decision in the case of City of Montebello Acquisition. If the Acquisition decision is still not available before the final decision of the instant GRC proceeding then allow SGVWC a memorandum account (with an expiration day of July 1, 2026) to track the changes only in terms of water sales revenues and the purchase price of the acquired water system. For more details, please refer to Chapter-4 of this report.
- **Special Request # 4:** The Commission should authorize closure of five Memorandum Accounts in SGVWC's Los Angeles County division and issuance of a net surcredit in the amount of \$0.574 million. The Commission should authorize closure of four Memorandum Accounts and one Balancing Account in SGVWC's Fontana Water Company division and issuance of a net surcredit in the amount of \$0.878 million. For more details, please refer to the Chapter-13 of each division's report.
- **Special Request # 5:** The Commission should approve SGVWC's request to implement the Credit/Debit card program with a forecasted cost of \$631,251, which is \$131,998 less than SGVWC's requested amount of \$763,249. For more details, please refer to Chapter-4 of this report.

- 1       • **Special Request # 6:** The Commission should approve the request to change the  
2       name of the Low-Income Customer Rate Assistance Program to Customer  
3       Assistance Program (“CAP”).
- 4       • **Special Request # 7:** The Commission require SGVWC to continue the Plaintiff  
5       Water Quality Litigation Memorandum Account (“WQLMA”), keep the  
6       contamination net proceeds of \$9,928,724 in its Plaintiff WQLMA and reduce its  
7       working cash requirement by the same amount. If the Commission decides to  
8       allow SGVWC to amortize the net proceeds, it should allocate 67% to ratepayers  
9       and 33% to shareholders based on its prior decision, D.08-04-005. For more  
10      details, please refer to Chapter-4 of this report.
- 11      • **Special Request # 8:** The Commission should approve SGVWC’s request to  
12      incorporate the latest rates during the settlement process.



# CHAPTER 1 GENERAL OFFICE EXPENSES

## I. INTRODUCTION

This chapter addresses General Office (“GO”) Expenses in General Rate Case (“GRC”) Application (A) 22-01-003 filed by San Gabriel Valley Water Company (“SGVWC” or “San Gabriel”). This chapter includes key recommendations, describes general approaches, and proposes forecasting adjustments in Test Year (TY) 2023-2024 GO expenses. In developing its recommendations, Cal Advocates reviewed SGVWC’s general report, direct testimony, discovery responses, and the Results of Operations model.

## II. SUMMARY OF RECOMMENDATIONS

- The Commission should adopt the following four new position requests:

Position Title	Division	Status (July 2022)
Vice President	GEN	Filled
H. R. Assistant	GEN	Filled
Asset Management Specialist	GEN	Not Filled

- The Commission should adopt an annual regulatory Commission expense budget of \$107,898.
- The Commission should adopt the recommended Phase II of the IT Upgrade Project’s expense forecast methodology, which amortizes the hosting expenses between the time period when the Phase II of the IT project goes live to when the A.22-01-003 GRC rates go into effect. The Commission should adopt an annual hosting service fee budget of \$164,552.
- The Commission should reject SGVWC’s request to implement a Health Reimbursement Arrangement plan.
- The Commission should adopt SGVWC’s Operations and Maintenance (O&M) and Administrative and General (A&G) expense forecast methodology, based on the recorded five-year average.



### III. ANALYSIS

#### A. New Positions & Payroll Expenses

SGVWC requests a total of 15 new GO positions, five of which have already been filled prior to the filing of the current application.<sup>1</sup> The 15 new GO positions represent a near 20% expansion of the GO staffing. SGVWC currently has 80 GO positions.

SGVWC forecasts payroll expenses based on additional proposed staffing positions, and their wages for 2022, and applies an escalation factor of 2.4% in 2023, and 1.8% in 2024.<sup>2</sup> The Commission should adopt SGVWC's general approach in forecasting payroll expenses, with specific position adjustments based on the analysis below.

**Table 1-1: New GO Position Requests**

Position	Division	Status
Vice President	GEN	Filled
H.R. Assistant	GEN	Filled
Supplier Diversity & Procurement Mgr.	GEN	Filled
Senior Planning Engineer/Hydraulic Modeler (FWC)	GEN	Not Filled
Asset Management Specialist (FWC)	GEN	Not Filled
GIS Developer (FWC)	GEN	Not Filled
Assistant Engineer (FWC)	GEN	Not Filled
Field Engineer (FWC)	GEN	Not Filled
Designer I (FWC)	GEN	Not Filled
Engineering Admin. Asst. (FWC)	GEN	Not Filled
Engineering Admin. Asst. (FWC)	GEN	Filled
Surveyor (FWC)	GEN	Not Filled
Senior Engineer (LAC)	GEN	Not Filled
Assistant Engineer (LAC)	GEN	Not Filled
Assistant Field Engineer (LAC)	GEN	Not Filled

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<sup>1</sup> Attachment 1-1: Response to DR SLM-013, Attachment 1

<sup>2</sup> Exhibit SG-1 (General Division), p.4-2.

1 <<BEGIN CONFIDENTIAL>>



2  
3 **1. Vice President**

4 The Commission should adopt SGVWC's request to add a new Vice President  
5 ("VP") position in the GO.<<BEGIN CONFIDENTIAL>>   
6 .<<END CONFIDENTIAL>> SGVWC hired Mr. Martin  
7 Zvirbulis in September 2019 to manage the operations of the LA division, as well as  
8 general executive management responsibilities under the direction of the President and  
9 Senior VP.<sup>3</sup>

10 In conjunction with the creation of the VP position to support the LA division,  
11 SGVWC promoted Fontana Water Company's ("FWC") Operations Manager, Josh  
12 Swift, to Vice President of the Fontana Water Company division in 2020.<sup>4</sup> SGVWC's  
13 operating divisions face different challenges related to the source of supply and water

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<sup>3</sup> Attachment 1-2: Response to DR SLM-010, p.3.

<sup>4</sup> Attachment 1-2: Response to DR SLM-010, p.4.

resources, water quality and contamination, and aging infrastructure.<sup>5</sup> Mr. Zvirbulis and Mr. Swift's respective testimony discusses the different challenges in each operating division faces.

### 3. HR Assistant

The Commission should adopt SGVWC's request to add a new HR Assistant position in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> SGVWC referenced a Bloomberg BNA's HR Department Benchmarks and Analysis report from 2017, which states that the rule-of-thumb ratio is 1.4 fulltime HR staff per 100 employees.<sup>6</sup> Bloomberg is a financial, software, data, and media company.<sup>7</sup> SGVWC employs 273 employees and has 3 authorized HR staff. Using the Bloomberg BNA's benchmark, requires the support of four HR staff.<sup>8</sup> SGVWC's HR Department incurred over 100 hours of overtime in the first half of 2021 due to factors such as sick leave and earned vacation time.<sup>9</sup> The Commission's approval of an additional HR Assistant will help to reduce the workload.

### 4. Supplier Diversity & Procurement Mgr.

The Commission should reject SGVWC's request to add a new Supplier Diversity & Procurement Manager in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> SGVWC grouped activities such as needs analysis, strategic sourcing, selection, negotiation, and contracting as procurement activities and renamed the Purchasing Department the Procurement Department in order to meet SGVWC's current standards and goals

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<sup>5</sup> Attachment 1-2: Response to DR SLM-010, p.4 and as address in SG-7 (Swift) and SG-9 (Zvirbulis).

<sup>6</sup> Exhibit SG-4 (Brown), Attachment C.

<sup>7</sup> [https://en.wikipedia.org/wiki/Bloomberg\\_L.P.](https://en.wikipedia.org/wiki/Bloomberg_L.P.)

<sup>8</sup>  $273 * (1.4/100) = 3.822$ , rounded up to 4.

<sup>9</sup> Exhibit SG-4 (Brown), p. 4.

1 regarding the procurement of products, materials, and services.<sup>10</sup> SGVWC states that the  
2 Supplier Diversity and Procurement Manager would oversee and manage the daily  
3 functions of the Procurement Department, and oversee the stores and warehouse  
4 personnel.<sup>11</sup>

5 A name change from the Procurement Department to the Purchase Department  
6 does not require a new manager to oversee the department. Creating this position  
7 because of a department name change creates unnecessary rate burden on ratepayers. It  
8 is unclear how ratepayers would benefit from the creation of this position; SGVWC did  
9 not provide a cost-benefit analysis for this position request in response to discovery.

10 As explained in Section 1 of this Chapter, SGVWC hired Mr. Martin Zvirbulis in  
11 September 2019 to manage the operations of the LA division and it is explained that the  
12 operating divisions face different challenges related to the source of supply and water  
13 resources, water quality and contamination, and aging infrastructure.<sup>12</sup> The operating  
14 division VPs will respond to the different challenges; as SGVWC grouped activities such  
15 as needs analysis and strategic sourcing under procurement activities, the operating  
16 division VPs, Mr. Zvirbulis and Mr. Swift are a better fit to oversee the procurement  
17 activities in their respective operating division. It would be a better use of ratepayer  
18 resources for the operating division's VP to oversee the respective operating division's  
19 procurement activities.

20 As of this report's filing date, SGVWC has already filled the Supplier Diversity &  
21 Procurement Manager position. However, SGVWC's act of pre-approved hiring should  
22 not be used as justification for the position's necessity and reasonableness. Allowing  
23 SGVWC to recover the costs associated with this position creates an unnecessary burden  
24 on ratepayers when the position's role overlaps with that of the operating division's VP.

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<sup>10</sup> Exhibit SG-8 (Yucelen), p.232.

<sup>11</sup> Exhibit SG-8 (Yucelen), p.233.

<sup>12</sup> Attachment 1-2: Response to DR SLM-010, p.4 and as address in SG-7 (Swift) and SG-9 (Zvirbulis).

1 Therefore, the Commission should reject SGVWC's request to add a new Supplier  
2 Diversity & Procurement Manager.

3 **5. Senior Planning Engineer/Hydraulic Modeler**  
4 **(FWC)**

5 The Commission should reject SGVWC's request to add a new Senior Planning  
6 Engineer/Hydraulic Modeler in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
7 [REDACTED]<<END CONFIDENTIAL>> This position is located  
8 in the FWC division office and will perform work for all three divisions (LA, FWC, and  
9 GO).<sup>13</sup> The Senior Planning Engineer/Hydraulic Modeler would assist the Planning  
10 Manager in performing complex planning tasks, including master plan preparation,  
11 conceptual plans and cost estimates for capital improvement projects, feasibility studies,  
12 regulatory compliance exhibits and hydraulic model updates and reports.<sup>14</sup> SGVWC  
13 claims that the position will aid SGVWC in preparing reports that help develop and  
14 prioritize capital improvement projects that will eliminate water system deficiencies,  
15 meet industry standards and regulatory requirements, and benefit customers.<sup>15</sup>

16 It should be noted that a mix of existing authorized staff and consultant services  
17 have sufficiently produce said work products. In response to discovery concerning this  
18 position request, SGVWC states that in 2021 alone, SGVWC paid a consultant more than  
19 \$900,000 to update the water system master plan and that without the additional position,  
20 SGVWC will need to increase its budget request in order to retain consultants to continue  
21 to perform these services.<sup>16</sup> However, SGVWC did not provide additional support to  
22 justify the higher cost argument. That is, SGVWC did not present what the estimated  
23 cost-savings would be by hiring a Senior Planning Engineer/Hydraulic Modeler nor did

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<sup>13</sup> Attachment 1-2: Response to DR SLM-010.

<sup>14</sup> Exhibit SG-8 (Yucelen), p.210.

<sup>15</sup> Exhibit SG-8 (Yucelen), p.211.

<sup>16</sup> Attachment 1-3: Response to DR SLM-013.

1 SGVWC present what the budget request would be in the event the Commission rejects  
2 the position request. A blanket threat of higher cost without support is not a reasonable  
3 justification to create new positions. The Commission should reject SGVWC's request to  
4 hire a Senior Planning Engineer/Hydraulic Modeler as the position request is not  
5 reasonably justified.

6 **6. Asset Management Specialist (FWC division)**

7 The Commission should adopt SGVWC's request to add a new Asset  
8 Management Specialist in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
9 [REDACTED].<<END CONFIDENTIAL>> This position is located in  
10 the FWC division office and is expected to perform work for all three divisions (LA,  
11 FWC, and GO).<sup>17</sup> Currently, SGVWC maintain records of the Company's assets in  
12 Enterprise Asset Management ("EAM"), the vertical asset registry and other file locations  
13 in various departments. According to SGVWC, the Asset Management Specialist will  
14 help to centralize the information. The Asset Management Specialist will plan the  
15 implementation, operation, maintenance, replacement, and retirement of its capital  
16 infrastructure, including water production, treatment, storage and distribution  
17 infrastructure.<sup>18</sup> In addition, the Asset Management Specialist will focus on the task of  
18 planning asset maintenance and replacement, monitoring, developing records for and  
19 maintaining the Company's assets in EAM and the vertical asset registry, so that the  
20 potential life of every asset can be realized and extended.<sup>19</sup> The information this position  
21 generates will help SGVWC realize and extend the potential life of every asset. SGVWC  
22 should maintain a record of related benefits for review in the next GRC.

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<sup>17</sup> Attachment 1-2: Response to DR SLM-010.

<sup>18</sup> Exhibit SG-8 (Yucelen), p.212.

<sup>19</sup> Exhibit SG-8 (Yucelen), p.212.



1                   **7.       Geographical Information System (“GIS”)**  
2                   **Developer (FWC division)**

3               The Commission should reject SGVWC’s request to add a new GIS Developer in  
4 the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
5 [REDACTED]<<END CONFIDENTIAL>> SGVWC states that bringing GIS expertise in-  
6 house will save costs associated with paying outside consultants to perform tasks related  
7 to the development of GIS.<sup>20</sup> SGVWC forecasts a capital budget of approximately \$2.5  
8 million for the years 2022 through 2025 (approximately \$620,000 annually) for GIS  
9 related services.<sup>21</sup> SGVWC expects to perform approximately 50% of each of the project  
10 budgets in-house and further explained that SGVWC will need to request a higher GIS  
11 service budget if the position request is rejected.<sup>22</sup> However, the potential for higher  
12 costs is not sufficient justification for a new hire. Based on the five-year average, from  
13 2017 – 2021, SGVWC spent \$107,394 annually on GIS services.<sup>23</sup> It is unclear why  
14 SGVWC forecasts a sudden increase for GIS services by six-times the five-year average  
15 in TY 2023-2024. An unsupported six-fold increase of the GIS budget adds unreasonable  
16 pressure on ratepayers. Therefore, the Commission should reject SGVWC’s request to  
17 add a new GIS Developer in the GO and adopt a GIS development budget based on Cal  
18 Advocates’ capital project budget recommendation.

19                   **8.       Assistant Engineer (FWC division)**

20               The Commission should reject SGVWC’s request to add a new Assistant Engineer  
21 in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
22 [REDACTED]<<END CONFIDENTIAL>> SGVWC states that the “additional Assistant  
23 Engineer is needed as a result of the promotion of the former Assistant Engineer to the

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<sup>20</sup> Exhibit SG-8 (Yucelen), p.216.

<sup>21</sup> Attachment 1-4: 06.08.2022 Email Response to Discovery Regarding GIS Developer.

<sup>22</sup> Attachment 1-5: Response to DR SLM-012.

<sup>23</sup> Attachment 1-6: 06.08.2022 Email Response to Discovery Regarding GIS Developer, Attachment A.3.

position of Engineer.”<sup>24</sup> The former Assistant Engineer position is unfilled due to a promotion and not a lack of staff. The engineering position to which the assistant engineer was promoted to was not a vacant position. Therefore, it is simply a promotion of an existing employee that expanded the employee’s scope of responsibilities. Similarly, SGVWC promoted an Assistant Field Engineer to Field Engineer in the LA division to take on more responsibilities.<sup>25</sup>

Despite the promotion, the staff member should still be able to complete the work duties related to its previous position in addition to the new responsibilities; given that it is a promotion of an Assistant Engineer to Engineer. As such, a promotion from Assistant Engineer to Engineer does not mean this staff is not able to perform its previous duties. A promotion of a position should not be used as justification to create and backfill a new position. The Commission should reject this position request.

#### **9. Field Engineer (FWC division)**

The Commission should reject SGVWC’s request to add a new Field Engineer in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> SGVWC states its plant construction team needs a Field Engineer to perform inspections on plant construction projects in FWC division, in addition to logging and reviewing construction submittals, logging and reviewing requests for information, preparing progress payment spreadsheets, and completing daily inspection field reports.<sup>26</sup>

Previously, SGVWC filled one of the requested positions of Field Engineer for FWC division by promoting a Designer I by changing the title of the position.<sup>27</sup> Therefore, SGVWC should repurpose one of the two Designer I positions that was

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<sup>24</sup> Exhibit SG-8 (Yucelen), p.217.

<sup>25</sup> Exhibit SG-8 (Yucelen), p.200.

<sup>26</sup> Exhibit SG-8 (Yucelen), p.222.

<sup>27</sup> Exhibit SG-8 (Yucelen), p.200.

1 authorized from a previous GRC and is currently unfilled to a Field Engineer position by  
2 similar title change. This eliminates the need to create a new position when a currently  
3 unfilled position can be utilized.

4 The Commission should reject SGVWC's Field Engineer request. The vacant  
5 Designer I position has been funded by ratepayers for at least the past three years and  
6 SGVWC can convert it to the Field Engineer position to meet the alleged need.

7 Once again, a title change does not justify creating and backfilling a new position.  
8 Further, this purported *new* need would not have occurred without a staff member  
9 undergoing a title change or upgrade. Ratepayers should not fund the creation of this  
10 requested position when the utility can repurpose a vacant position to meet its needs.

#### 11 **10. Designer I (FWC division)**

12 The Commission should reject SGVWC's request to add a new Designer I in the  
13 GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
14 [REDACTED].<<END CONFIDENTIAL>> SGVWC states that as a result of the promotion  
15 of the Designer I to Assistant Field Manager by title change, SGVWC now has a need for  
16 a Designer I position in Fontana, which is required to provide engineering support on the  
17 design of SGVWC's pipeline and plant facilities.<sup>28</sup> However, SGVWC currently has two  
18 unfilled Designer I positions, one of which can be used to fill the need of a Field  
19 Engineer (FWC Division) as explained in Section 8 of this chapter. Ratepayers should  
20 not fund another Designer I position when an unfilled Designer I position exists in the  
21 GO team. A title change should not automatically result in a new position that needs to  
22 be filled.

#### 23 **11. 2x Engineering Administrative Assistant (FWC** 24 **division)**

25 The Commission should reject SGVWC's request to add two Engineering  
26 Administrative Assistants in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]

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<sup>28</sup> Exhibit SG-8 (Yucelen), p.225.

1 [REDACTED]  
2 [REDACTED] <<END CONFIDENTIAL>> As of July 2022, there exists in SGVWC's  
3 GO an unfilled Engineering Administrative Assistant position that was authorized in a  
4 previous GRC. SGVWC should fill the currently vacant Engineering Administrative  
5 Assistant position before requesting approval for another identical position.

6 As of July 2022, SGVWC filled one of the two vacant Engineering Administrative  
7 Assistant positions by hiring a Project Administrator. SGVWC explained that the hired  
8 candidate qualifies for the position of Project Administrator due to her education,  
9 experience, and qualifications.<sup>29</sup> It is unclear why SGVWC hired a Project Administrator  
10 to fill an Engineering Administrative Assistant position. SGVWC filled this position  
11 with a different position than that originally identified and authorized. SGVWC fails to  
12 justify its hiring of a Project Administrator in place of an Engineering Administrative  
13 Assistant. Based on SGVWC explanation, it appears that SGVWC did not make a hiring  
14 decision based on need but rather based on the candidate's education, experience, and  
15 qualifications. The Commission should reject SGVWC's request to add two Engineering  
16 Administrative Assistants as SGVWC did not properly administer and fill the previously  
17 authorized and ratepayer funded Engineering Administrative Assistants from its most  
18 recent GRC proceeding.

## 19 12. Surveyor (FWC division)

20 The Commission should reject SGVWC's request to add a new Surveyor position  
21 in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
22 [REDACTED].<<END CONFIDENTIAL>> SGVWC estimates a surveyor service budget of  
23 \$4 million from 2022 to 2025, approximately \$1,000,000 annually.<sup>30</sup> SGVWC expects  
24 to perform 25% of the surveying in-house.<sup>31</sup> However, SGVWC's actual five-year

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<sup>29</sup> Attachment 1-1: Response to DR SLM-013, Attachment 1.

<sup>30</sup> Attachment 1-5: Response to DR SLM-012.

<sup>31</sup> Attachment 1-5: Response to DR SLM-012.

1 average annual spending on surveying services was just \$107,633 from 2017-2021.<sup>32</sup> It  
2 is unclear why SGVWC will increase its surveying budget by ten times the most recent  
3 five-year recorded average. SGVWC fails to justify the need for the position and its  
4 proposed increase in budgets is unreasonable compared to the historic spending. The  
5 Commission should reject SGVWC's request to add a new Surveyor position and adopt a  
6 surveying budget based on Cal Advocates' capital project budget recommendation.

### 7 **13. Senior Engineer (LA division)**

8 The Commission should reject SGVWC's request to add a new Senior Engineer in  
9 the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]

10 [REDACTED]<<END CONFIDENTIAL>> SGVWC states that a Senior Engineer is  
11 needed in the LA division to work under the direction of the Design Manager and  
12 coordinate the day-to-day tasks related to design of pipeline construction projects.<sup>33</sup>  
13 However, SGVWC fails to justify how ratepayers will benefit from this position.<sup>34</sup> This  
14 position is purportedly necessary to help with the backlog of design and reports that  
15 needs to be completed in the LA division.<sup>35</sup> However, SGVWC claims elsewhere that a  
16 backlog of projects is due to various government entities having slowed issuing permits  
17 for certain capital projects during the pandemic.<sup>36</sup> For example, SGVWC's mains  
18 replacement was delayed from March 2020 to February 2021 due to the government's  
19 response to the COVID-19 pandemic:<sup>37</sup>

20 San Gabriel was required by the County of Los Angeles to stop work on its main  
21 replacement projects that would result in service shut-offs to its customers residing  
22 in the County of Los Angeles. On March 26, 2020, as a direct result of Governor

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<sup>32</sup> Attachment 1-7: Response to DR SLM-012, Attachment A.2.

<sup>33</sup> Exhibit SG-8 (Yucelen), p.228.

<sup>34</sup> SGVWC did not provide a cost-benefit analysis related to this position request in DR SLM-013.

<sup>35</sup> Exhibit SG-8 (Yucelen), p.228.

<sup>36</sup> Exhibit SG-8 (Yucelen), p.46.

<sup>37</sup> Exhibit SG-8 (Yucelen), p.59.

1 Newsom's stay at home order, the County of Los Angeles Department of Public  
2 Works issued a stop work notice to all water purveyors that limited work within  
3 the County of Los Angeles right-of-way, only to emergency repairs and  
4 replacements. ...  
5

6 Accordingly, San Gabriel was able to continue work that was already permitted at  
7 that time but, because most of its main replacement projects include water service  
8 replacements and system shut-downs, was able to complete only emergency  
9 replacement projects in 2020 and early 2021. In February 2021, the County  
10 resumed issuing permits for new main replacement projects.<sup>38</sup>  
11

12 It is SGVWC's responsibility to fully utilize its existing staff and budget to  
13 complete the approved capital projects in the GRC process. SGVWC manages the  
14 execution of the authorized capital project process; a permitting delay is a business risk in  
15 the process. Ratepayers should not fund the creation of a new position to support the  
16 backlog of work the utility should be able to manage with existing staff and previously  
17 authorized budget. Ratepayers have already funded for the projects to be completed  
18 based on the estimated capital project budget and timeline authorized in a previous GRC.

#### 19 **14. Assistant Engineer (LA division)**

20 The Commission should reject SGVWC's request to add a new Assistant Engineer  
21 in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
22 [REDACTED]<<END CONFIDENTIAL>> SGVWC states that the Assistant Engineer in the  
23 LA division was recently promoted by title change to fill the needed position of Engineer  
24 and that the Assistant Engineer will work under the direction of the Engineer and Design  
25 Manager and assist with the design of plant projects for the LA division.<sup>39</sup>

26 Similar to the position request for a Designer I, a title change does not create a  
27 need to backfill the position. The newly promoted Engineer should still fulfill the tasks

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<sup>38</sup> Exhibit SG-8 (Yucelen), p.59.

<sup>39</sup> Exhibit SG-8 (Yucelen), p.229.



1 of an Assistant Engineer in the LA division and therefore, SGVWC lacks the need to hire  
2 a new assistant engineer to backfill the position.

3 **15. Assistant Field Engineer (LA division)**

4 The Commission should reject SGVWC's request to add a new Assistant Field  
5 Engineer in the GO.<<BEGIN CONFIDENTIAL>> [REDACTED]  
6 [REDACTED] <<END CONFIDENTIAL>> SGVWC states that the Assistant Field  
7 Engineer will perform daily inspections of proposed pipeline and service line  
8 improvements; in addition to providing quality control and assurance to pipeline  
9 projects.<sup>40</sup> While it is clear what the position will allegedly do, it is unclear why this  
10 position is necessary now given that pipe and service line improvements have been an  
11 ongoing activity of SGVWC for many years.<sup>41</sup>

12 Furthermore, SGVWC currently has an authorized and unfilled Designer Trainee  
13 position, which it can be repurposed to fill the Assistant Field Engineer position.  
14 SGVWC has demonstrated the ability to promote positions and change position titles and  
15 this approach can be used to fill this position.<sup>42</sup> Therefore, the Commission should reject  
16 SGVWC's request to add a new Assistant Field Engineer in the GO.

17 **B. General Office Operating & Maintenance Expenses**

18 The Commission should adopt SGVWC's Operating & Maintenance ("O&M")  
19 expenses forecast. SGVWC forecasts an O&M expense budget of \$178,325 in TY 2023-  
20 2024. O&M expenses include payroll, materials and supplies, outside services, utilities  
21 and rents, and miscellaneous expenses. SGVWC forecasts O&M expenses on a calendar  
22 year basis, using five-year inflation-adjusted averages of recorded data (2017 – 2021) and

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<sup>40</sup> Exhibit SG-8 (Yucelen), p.231.

<sup>41</sup> SGVWC did not provide a cost-benefit analysis related to this position request in DR SLM-013.

<sup>42</sup> Exhibit SG-8 (Yucelen), p.200.

1 the escalation factors published on December 15, 2021 (“Escalation Rates”) by Cal  
2 Advocates.<sup>43</sup>

### 3 C. General Office Administrative & General Expenses

4 The Commission should adopt an Administrative & General (“A&G”) expenses  
5 budget of \$20,241,064 in TY 2023-2024. The budget is based on SGVWC’s forecast and  
6 specific adjustments made by Cal Advocates, as explained below.

7 A&G expenses include payroll, materials and supplies, transportation, insurance,  
8 pensions & benefits, outside services, regulatory commission expenses, utilities and rents,  
9 and miscellaneous expenses. SGVWC forecasts A&G expenses on a calendar year basis,  
10 using five-year inflation-adjusted averages of recorded data (2017 – 2021) and the  
11 escalation factors published on December 15, 2021 (“Escalation Rates”) by Cal  
12 Advocates.<sup>44</sup>

#### 13 1. Health, Dental and Vision Insurance

14 The Commission should adopt SGVWC’s general approach in forecasting the cost  
15 of related employee insurance, with specific adjustments in the RO model to remove  
16 corresponding costs in years where certain positions are unfilled. The TY 2023-2024  
17 forecast is based upon the forecasted number of employees, in addition to current  
18 premiums and forecasted inflation.<sup>45</sup>

#### 19 2. Regulatory Commission Expenses

20 The Commission should reject SGVWC’s general approach in forecasting  
21 Regulatory Commission Expenses in the GO division. The expense forecast is based on  
22 the 2025 cost of capital proceeding and various Order Instituting Investigations (“OII”)  
23 and Order Instituting Rulemaking (“OIR”). SGVWC forecasts \$323,696 in costs for the

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<sup>43</sup> Exhibit SG-6 (Reiker), p.9.

<sup>44</sup> Exhibit SG-6 (Reiker), p.9.

<sup>45</sup> Exhibit SG-1 (General Division), p.4-2.

1 2025 cost of capital proceeding and \$16,800 for the various OIIs and OIRs.<sup>46</sup> SGVWC  
2 forecasts an annual budget of \$113,499 for regulatory Commission expenses in this GRC.  
3 SGVWC forecasted costs for future OIIs and OIRs based on the assumption that  
4 SGVWC will participate in five such proceedings.<sup>47</sup> However, OIIs are usually  
5 enforcement proceedings, and it is not possible to forecast when a OII proceeding may  
6 occur. SGVWC’s cost estimate of \$16,800 assumes that two SGVWC employees will  
7 travel to the Commission’s office in San Francisco twice for each of the five  
8 proceedings.<sup>48</sup> Thus, the budget request is a proceeding-related travel budget. In a  
9 budget breakdown of the travel cost estimates, SGVWC’s \$16,800 proceeding travel  
10 budget includes “OIIs, OIRs, and Other Proceedings.”<sup>49</sup> It is unclear exactly how many  
11 OIIs, OIRs, or other proceedings SGVWC will participate in, and it would be unfair to  
12 forecast a proceeding-related travel budget for proceedings that may or may not occur.  
13 Thus, the Commission should remove SGVWC’s travel cost estimate of \$16,800 for  
14 SGVWC’s participation in five OII, OIR, and other proceedings from the regulatory  
15 commission expense budget forecast in the GO and adopt an annual regulatory  
16 commission expense budget of \$107,898 in the GO.<sup>50</sup>

17 **16. Phase II of IT Upgrade Project – Cloud Hosting**  
18 **Fees & Memorandum Account**

19 D.17-06-008 (A.16-01-002) authorized a phased approach for SGVWC to  
20 replace/upgrade its legacy financial, work management, payroll, and human resources  
21 information systems (“FMIS”) and billing systems (“CIS”). SGVWC forecasts that

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<sup>46</sup> Exhibit SG-6 (Reiker), p.38.

<sup>47</sup> Exhibit SG-6 (Reiker), p.38.

<sup>48</sup> Exhibit SG-6 (Reiker), p.38.

<sup>49</sup> Exhibit SG-6 (Reiker), Attachment K.

<sup>50</sup> \$16,800 budget over a 3-year GRC cycle = a budget of \$5,600/year.

\$107,898 = \$113,499 – \$5,600

1 Phase II of the IT Upgrade Project will go live in December 2022.<sup>51</sup> Based on a contract  
2 with Advanced Utility Software, the annual hosting service fee for the Phase II project is  
3 \$141,045, beginning in 2023.<sup>52</sup>

4 The Commission should reject SGVWC's request to include six months of actual  
5 capital and operating costs related to the Phase II project in the Commission authorized  
6 memorandum account; as the Phase II project will be used and useful prior to the  
7 beginning of the Test Year in this GRC.<sup>53</sup> Instead, the Commission should adopt Cal  
8 Advocates' expense adjustment, which amortizes the six months of hosting expenses over  
9 the GRC cycle, an additional \$23,507 per year through the GRC years.<sup>54</sup> The  
10 Commission should adopt an annual hosting service fee of \$164,552 per year. As such,  
11 the memorandum account will not be needed any more for cost tracking and can be  
12 closed in this GRC.

#### 13 D. Health Reimbursement Arrangement

14 The Health Reimbursement Arrangement (HRA) would reimburse eligible  
15 participants up to \$5,000 for qualified medical expenses over a 12-month coverage period  
16 from January 1 through December 31 of each year, with funds unable to be rolled over  
17 into the next coverage period.<sup>55</sup> Eligible participants includes current and future retirees  
18 and their spouses, where employees retire from SGVWC at age 65 or older, and have a  
19 minimum of ten years of continuous service at the time of retirement.

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<sup>51</sup> Exhibit SG-5 (Harris), p.16.

<sup>52</sup> Exhibit SG-5 (Harris), p.15.

<sup>53</sup> D.20-08-006, Ordering Paragraph No. 1, and Appendix C thereto, p. 13.

The Commission authorized SGVWC to establish a memorandum account in which it may record actual capital and operating costs related to the Phase II project [CIS project].

<sup>54</sup> \$23,507 per GRC year = (\$141,045 per year \* 0.5 year) / 3 GRC years | 0.5 year = 6 months of hosting expenses.

<sup>55</sup> Exhibit SG-4 (Brown), PDF pages 3-5.

1           The Commission should deny SGVWC's proposed Health Reimbursement  
2   Arrangement plan, which results in a \$357,150 increase in SGVWC's annual budget.  
3   SGVWC attempts to justify its request primarily by indicating that publicly owned<sup>56</sup>  
4   water utilities provide this employee benefit. However, as discussed below, employees  
5   of publicly owned water utilities are typically paid a lower salary and thus can have other  
6   benefits for their employees such as additional health benefits, making them a poor  
7   comparison to an investor-owned utility. SGVWC has also failed to provide evidence  
8   that it is having difficulty retaining or attracting employees and that the HRA benefit is  
9   necessary to attract and retain employees. When asked to provide how many employees  
10   in the past five years have not accepted an offer to work at SGVWC or left SGVWC  
11   specifically because an HRA plan was not available, SGVWC stated that they do not  
12   track such information.<sup>57</sup>

### 13                           **1. Simultaneously Retiring and Retaining Employees**

14           SGVWC states that, historically, many of its employees delayed retirement for  
15   years due to significant additional medical costs associated with retirement, instead  
16   electing to continue working in order to retain their employee healthcare benefits.<sup>58</sup>  
17   While SGVWC cites this as support for the HRA plan, it neglected to provide support for  
18   this statement. Directly following that statement, SGVWC argues that it must also  
19   compete with other utility providers to retain qualified employees.<sup>59</sup> These statements  
20   are contradictory. SGVWC is arguing that this program will retain both current  
21   employees while simultaneously encouraging employees toward retirement sooner,  
22   thereby losing qualified long-term employees.

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<sup>56</sup> Utilities that are government-owned as distinct from entities that are shareholder-owned.

<sup>57</sup> Attachment 1-8: San Gabriel's response to Cal Advocates' DR LCN-018 (Misc 3), Q1.

<sup>58</sup> Exhibit SG-4 (Brown), PDF page 3.

<sup>59</sup> Exhibit SG-4 (Brown), PDF page 3.

While SGVWC mentions the need to attract and retain qualified employees, it does not provide documentation supporting the need to improve retention rates among its employees. As explained above, SGVWC's intentions for the program are contradictory in that, by SGVWC's logic, it would lead to increases in both retirements and retention. Therefore, such a program only serves to increase SGVWC's turnover rate, the direct opposite of its stated intentions.

## 17. Comparisons with Public Water Utilities Is Unreasonable

SGVWC argues that it must compete with other utility providers to attract and retain qualified employees and provides a list of other water utilities and their post-retirement healthcare benefits for comparison purposes, as shown in the Table 1-2<sup>60</sup> below.

**Table 1-2: Retiree Health Benefits at Other Water Utilities**

Agency	Retiree Health Benefits	Description
Cal Water (IOU)	yes	shared cost (50/50) medical, dental, vision - no max
Southwest (IOU)	yes	portable HRA (contributions made during employment that can be used in retirement)
LADWP	yes	reimbursement of part B and up to \$935 per month for medical, dental, and vision
Cucamonga Valley Water	yes	portable HRA (contributions made during employment that can be used in retirement)
Metropolitan Water District	yes	up to \$1,855.59 per month
West Valley Water District	yes	reimbursement of part B, up to full medical, dental, and vision insurance for employee and spouse
Western Municipal Water District	yes	CalPERS - pay up to \$1,223 per month
Castaic Lake Water Agency	yes	up to \$1,727 per month
Alemeda County Water District	yes	up to 100% of cost of certain selected health plans
Desert Water Agency	yes	up to \$2,234.93 per month
Helix Water District	yes	up to \$2,277.64 per month
Casitas Municipal Water District	yes	retiree only premiums for medical insurance
Irvine Ranch Water District	yes	up to \$728 per month
Central Basin Municipal Water District	yes	100% for retiree plus up to \$1,566.83 per month. Plus \$1,000 per month HRA
Golden State (IOU)	no	
West Basin Municipal Water District	yes	up to \$2,106.07 per month, plus \$1,000 per month HRA
Las Virgenes Municipal Water District	yes	up to \$403.28 per month
City of Long Beach	yes	\$128 per month
Liberty Utilities (IOU)	no	
City of Santa Clarita	yes	\$128 per month
Municipal Water District of Orange County	yes	\$216.67 per month HRA
Santa Clarita Valley Water Agency	yes	up to \$1,937 per month
Coachella Valley Water District	yes	up to 75% of premiums
Orange County Sanitation District	yes	up to \$250 per month
City of Santa Monica	yes	\$58.67 per month
City of Simi Valley	no	
City of Thousand Oaks	yes	\$435 per month
United Water Conservation District	yes	up to \$98.00 per month
Ventura Regional Sanitation District	yes	\$128 per month

<sup>60</sup> Exhibit SG-4 (Brown), PDF page 7-8.



1 Out of the 29 water utilities SGVWC provided, only four are investor-owned  
2 water utilities. The 25 other companies are publicly owned municipalities. It is  
3 unreasonable for SGVWC, an investor-owned water utility, to compare itself to publicly  
4 owned municipalities for this one aspect of employee compensation. Furthermore, out of  
5 the four investor-owned water utilities included, only two provide retiree health benefits.  
6 In response to discovery,<sup>61</sup> SGVWC provided another list, this time with a total of six  
7 investor-owned water utilities including those listed in the Application, out of which only  
8 two have retiree-only health benefits, San Jose Water and California Water Service  
9 Company.<sup>62</sup>

10 If SGVWC seeks to compare itself to a publicly owned water utility, then it makes  
11 sense to do so in more than just retiree health benefits. For example, base salary. As  
12 seen in Table 1-3 below, Cal Advocates selected from SGVWC's provided list three  
13 publicly owned water utilities which all offer higher retiree benefits than SGVWC. Cal  
14 Advocates then compared those utilities' 2021 General Manager salaries with the  
15 equivalent President's 2021 salary at SGVWC.

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<sup>61</sup> Attachment 1-9: San Gabriel's response to Cal Advocates' DR LCN-012 (HRA Plan), Attachment A.

<sup>62</sup> Southwest Water Company was listed as having retiree health benefits in SGVWC's Application but was shown as having none in the discovery response.

**Table 1-3: SGVWC Vs. Publicly Owned Water Utilities' Retiree Health Benefits and Base Salary**

Company	Annual Benefit Total <sup>63</sup>	Utility > SGVWC	Base Salary <sup>64</sup>	SGVWC > Utility
SGVWC	\$5,000	-	<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>>	-
Irvine Ranch Water District	\$8,736	\$3,736	\$319,241	<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>>
Desert Water Agency	\$26,819	\$21,819	\$292,760	<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>>
Helix Water District	\$27,332	\$22,332	\$268,474	<<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>>

In general, employee compensation between public and private entities are very different. The public entities offer more benefits, but lower base salary compared to private sector entities. As shown in the above example, the selected municipalities are able to provide larger retiree health benefits than SGVWC, while compensating their General Managers at <<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> the rate of SGVWC's comparable President role. Instead of showing which public entity offers the HRA benefit, SGVWC must take the overall compensation (salary and benefit) into account in making such comparisons.

<sup>63</sup> Monthly retiree health benefits multiplied by 12-month calendar year

<sup>64</sup> Transparent California (<https://transparentcalifornia.com/>)

1           Rather than pass the alleged burden of “recruitment and retention” onto ratepayers,  
2   SGVWC might consider taking a step back to reflect on its entire compensation structure  
3   and ask itself how municipalities are able to compensate their top executives at  
4   approximately <<BEGIN CONFIDENTIAL>> [REDACTED] <<END  
5   CONFIDENTIAL>>.

6           The Commission should deny SGVWC’s proposed Health Reimbursement  
7   Arrangement plan because it is inadequately supported spending at the expense of  
8   ratepayers.

#### 9       IV.    CONCLUSION

10          The Commission should adopt Cal Advocates’ new position recommendation,  
11   regulatory commission expense budget recommendation, and the Phase II of the IT  
12   Upgrade Project’s expense forecast. The Commission should adopt SGVWC’s O&M  
13   and A&G expenses forecast. The Commission should reject SGVWC’s request to  
14   implement a Health Reimbursement Arrangement plan.

**Attachment 1-1: San Gabriel's Response to DR SLM-013, ATTACHMENT 1.**

Corrected Table 1-1: GO New Position Request

Position Title	Location*	Division	Status (January 2022)	Status (July 2022)
Vice President	LAC	GEN	Filled	Filled
H. R. Assistant	LAC	GEN	Filled	Filled
Supplier Diversity & Procurement Manager	FWC	GEN	Filled	Filled
Senior Planning Engineer/Hydraulic Modeler	LAC/FWC	GEN	Not Filled	Not Filled**
Asset Management Specialist	LAC/FWC	GEN	Not Filled	Not Filled
GIS Developer	LAC/FWC	GEN	Not Filled	Not Filled
Assistant Engineer	FWC	GEN	Not Filled	Not Filled
Field Engineer	FWC	GEN	Not Filled	Not Filled
Designer I	FWC	GEN	Not Filled	Not Filled
Project Administrator ***	LAC****	GEN	Not Filled	Filled
Engineering Admin. Asst.	FWC	GEN	Filled	Filled
Surveyor	FWC	GEN	Not Filled	Not Filled
Senior Engineer	LAC	GEN	Not Filled	Not Filled
Assistant Engineer	LAC	GEN	Not Filled	Not Filled
Assistant Field Engineer	LAC	GEN	Not Filled	Not Filled

## Notes:

- \* The proposed locations for each requested position are indicated in Table 22 on Page 204 of Exhibit SG-8.
- \*\* This position was slated to be filled in January 2022, but the candidate decided to stay with his then current employer.
- \*\*\* The requested position of Engineering Administrative Assistant was filled as Project Administrator because the candidate that San Gabriel hired qualifies for the position of Project Administrator due to her education, experience, and qualifications.
- \*\*\*\* The location of the Engineering Administrative Assistant was initially proposed for the Fontana Water Company division location and was updated to the Los Angeles County division location based on the current workload and need.

**Attachment 1-2: San Gabriel's Response to DR SLM-010.**



*Note: The following data response has been reformatted to include in this Report.*

## **SAN GABRIEL VALLEY WATER COMPANY**

May 24, 2022

Mehboob Aslam Water  
Branch, Cal PA  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**(by email)**

**Re: Response to Data Request No. SLM-010 (General Office Positions)**

Dear Mr. Aslam:

In response to your data request dated May 17, 2022, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

**REQUEST NO. 1:**

On Page 31 of Exhibit SG-6 (Reiker), SGVWC is requesting the approval of the following new General Office positions in this GRC.

- a. Please verify that the table below is accurate and reflects all of SGVWC's new General Office employee position requests in this GRC.

<b>Division</b>	<b>Position</b>	<b>Status</b>	<b>Workpaper Reference</b>
GEN	Vice President	Filled	\PR4\LINE12)
GEN	H.R. Assistant	Filled	\PR4\LINE35)
GEN	Supplier Diversity & Procurement Mgr.	Filled	\PR4\LINE58)
GEN	Senior Planning Engineer/Hydraulic Modeler (FWC)	Not Filled	\PR4\LINE314)
GEN	Asset Management Specialist (FWC)	Not Filled	\PR4\LINE315)
GEN	GIS Developer (FWC)	Not Filled	\PR4\LINE316)
GEN	Assistant Engineer (FWC)	Not Filled	\PR4\LINE317)
GEN	Field Engineer (FWC)	Not Filled	\PR4\LINE318)
GEN	Designer I (FWC)	Not Filled	\PR4\LINE319)
GEN	Engineering Admin. Asst. (FWC)	Not Filled	\PR4\LINE320)
GEN	Engineering Admin. Asst. (FWC)	Filled	\PR4\LINE81)
GEN	Surveyor (FWC)	Not Filled	\PR4\LINE322)
GEN	Senior Engineer (LAC)	Not Filled	\PR4\LINE323)
GEN	Assistant Engineer (LAC)	Not Filled	\PR4\LINE324)
GEN	Assistant Field Engineer (LAC)	Not Filled	\PR4\LINE325)

- b. Please provide all support/justification for each of SGVWC's General Office new employee position requests in this GRC.
- c. Please clarify what "(FWC)" and "(LAC)" means after the position's title in Column "Position".
  - i. If the positions are district based (LAC or FWC), please clarify why these positions are recorded in the General Office Division.
- d. Please identify if any of the requested new employee positions are tied to any capital/plant project.
  - i. If so, please identify which position links to which capital/plant project.

**RESPONSE NO.1:**

- a. Yes, the table above is accurate and reflects all of San Gabriel's new General Office positions requested in this GRC.
- b. H.R. Assistant – Please see **EXHIBIT SG-4** (Brown), Page 3 (Line 10) through Page 4 (Line 13).

Supplier Diversity & Procurement Mgr. – Please see **EXHIBIT SG-8** (Yucelen), Page 232 (Line 14) through Page 233 (Line 15). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Senior Planning Engineer/Hydraulic Modeler (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 210 (Line 21) through Page 212 (Line 7). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Asset Management Specialist (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 212 (Line 9) through Page 214 (Line 21). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

GIS Developer (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 214 (Line 23) through Page 217 (Line 5). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Assistant Engineer (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 217 (Line 7) through Page 219 (Line 10). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Field Engineer (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 222 (Line 1) through Page 224 (Line 27). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Designer I (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 225 (Lines 1 - 22). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Engineering Admin. Asst. (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 219 (Line 12) through Page 221 (Line 23). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Engineering Admin. Asst. (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 219 (Line 12) through Page 221 (Line 23). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Surveyor (FWC) – Please see **EXHIBIT SG-8** (Yucelen), Page 225 (Line 24) through Page 228 (Line 5). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Senior Engineer (LAC) – Please see **EXHIBIT SG-8** (Yucelen), Page 228 (Line 7) through Page 229 (Line 3). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Assistant Engineer (LAC) – Please see **EXHIBIT SG-8** (Yucelen), Page 229 (Line 5) through Page 231 (Line 3). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Assistant Field Engineer (LAC) – Please see **EXHIBIT SG-8** (Yucelen), Page 231 (Line 5) through Page 232 (Line 12). A job description for this position is provided as ATTACHMENT I to **EXHIBIT SG-8**.

Vice President – San Gabriel added the new position of Vice President in 2019 as a result of the increasingly complex and growing challenges in both of the Company's operating divisions which require the focused attention of highly qualified, executive-level professionals with extensive experience and expertise in all areas of water utility operations. The responsibilities of the new Vice President position primarily include direct executive-level oversight of the operations of the Los Angeles County division, as well as general executive management responsibilities under the direction of the President and Senior Vice President. In conjunction with the creation of the Vice President position, San Gabriel also promoted the Fontana Water Company division's Operations Manager, Josh Swift, to the position of Vice President – Fontana Water Company division in 2020.

The need for highly qualified, direct executive-level oversight of San Gabriel's Los Angeles County and Fontana Water Company divisions arose from a number of factors. Previously, San Gabriel's Senior Vice President, Robert DiPrimio, provided executive-level oversight for both of the Company's operating divisions. However, with the passing of San Gabriel's Assistant Secretary and former longtime Chairman of the Board and Chief Executive Officer, Robert H. Nicholson, Jr., in 2018, Mr. DiPrimio's role has grown to include high-level oversight of the executive management team, as well as strategic planning and external affairs. As a result of the increasingly complex and challenging operations of San Gabriel's operating divisions which encompass twenty distinct municipal jurisdictions that the Company must liaise with on an individual basis, San Gabriel determined that the most prudent course of action would be to establish direct executive-level oversight in each operating division by creating the positions of Vice President and Vice President – Fontana Water Company.

As explained above, the Los Angeles County and Fontana Water Company divisions have grown increasingly complex in recent years. Each of these divisions operates independently, as they are approximately thirty miles apart from each other, are not interconnected, and as explained in **EXHIBIT SG-7** (Swift) and **EXHIBIT SG-8** (Zvirbulis), have highly complex and distinct operating challenges specific to each division. San Gabriel's operating divisions must address differing challenges related to source of supply and water resources, water quality and contamination, aging infrastructure, conservation measures, weather characteristics, employee development, and local demographics.

In September 2019, San Gabriel hired Martin Zvirbulis as Vice President. Mr. Zvirbulis has over 30 years of water utility experience in Southern California. Prior to joining San Gabriel, Mr. Zvirbulis was General Manager and Chief Executive Officer at

Cucamonga Valley Water District. He previously served on the board of directors of the Chino Basin Watermaster and has extensive knowledge and experience dealing with highly complex Chino Basin water management issues. He is a Professional Civil Engineer and has broad regional water utility experience on matters in both the Los Angeles County and Fontana Water Company divisions. Shortly after joining the Company, Mr. Zvirbulis was elected to serve on the board of directors of the Main San Gabriel Basin Watermaster

- c. As explained in Section XI of **EXHIBIT SG-8** (Yucelen), the “LAC” and “FWC” designations appearing after the position title indicate the division office in which the employee is, or will be, located. However, unlike Operations-related positions, employees in the Engineering, Planning and Procurement departments can, and often do, perform work for all three divisions (i.e. Los Angeles County, Fontana, and General) during a given work week or day. For this reason, all Engineering, Planning, and Procurement positions are assigned to the General Office, and the labor and related expenses related to these positions are allocated based on the Four-Factor methodology discussed in Section IV.21 of **EXHIBIT SG-6** (Reiker). To the extent any of these employees charge their time to a capital project, the labor and related costs are directly charged to the appropriate division as part of that project.
- d. The planning, engineering, and procurement positions are not tied to any specific capital improvement or plant project. The positions are needed to work on both Company-funded capital improvement projects and developer-funded projects for each division. As explained in response to part c above, depending on the work load, the position might need to work on projects from any of the divisions wherever the duties of that position are required. The need for each position, including which types of projects they are needed to work on, are explained in **EXHIBIT SG-8** (Yucelen) at the pages and lines referenced in response to parts b and c above.

RESPONDING WITNESSES: Reiker, DiPrimio, Yucelen

Please call me at (626) 448-6183 with any questions regarding this information.

Sincerely,

/s/ Joel M Reiker

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Joel M. Reiker

Vice President, Regulatory Affairs

Cc: Sam Lam [sam.lam@cpuc.ca.gov](mailto:sam.lam@cpuc.ca.gov)

/encl.

**Attachment 1-3: San Gabriel's Response to DR SLM-013**

*Note: The following data response has been reformatted to include in this Report.*

## **SAN GABRIEL VALLEY WATER COMPANY**

July 8, 2022

Mehboob Aslam

Water Branch, Cal PA  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**(by email)**

**Re: Response to Data Request No. SLM-013 (GO New Positions Request II)**

Dear Mr. Aslam:

In response to your data request dated July 1, 2022, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

### **REQUEST NO. 1:**

Please confirm if the summary of new position requests in the GO is correct in Table 1- 1.

- a. Please provide an updated table (*corrected table*) if Table 1-1 is incorrect.



Table 1-1: GO New Position Request

Position Title	Division	Status
Vice President	GEN	Filled
H.R. Assistant	GEN	Filled
Supplier Diversity & Procurement Mgr.	GEN	Filled
Senior Planning Engineer/Hydraulic Modeler (FWC)	GEN	Not Filled
Asset Management Specialist (FWC)	GEN	Not Filled
GIS Developer (FWC)	GEN	Not Filled
Assistant Engineer (FWC)	GEN	Not Filled
Field Engineer (FWC)	GEN	Not Filled
Designer I (FWC)	GEN	Not Filled
Engineering Admin. Asst. (FWC)	GEN	Not Filled
Engineering Admin. Asst. (FWC)	GEN	Filled
Surveyor (FWC)	GEN	Not Filled
Senior Engineer (LAC)	GEN	Not Filled
Assistant Engineer (LAC)	GEN	Not Filled
Assistant Field Engineer (LAC)	GEN	Not Filled

**RESPONSE NO.1:**

Because San Gabriel filled one of the requested positions, the Engineering Administrative Assistant, the table has been updated and corrected. That position was filled as a Project Administrator because the candidate that San Gabriel hired qualifies for that position based on her education, experience, and qualifications. The updated and corrected table is provided as **SLM-013 ATTACHMENT 1.xlsx**, and the table reflects the currently proposed title and location for each requested position.

RESPONDING WITNESSES: Yucelen

**REQUEST NO. 2:**

Has SGVWC completed any of the following analysis in 2019 – 2021? If yes, please provide all the corresponding reports.

- Workforce analysis. For example, how many workers are already there in the organization and how is the current workload being handled?
- Workload analysis – how many workers are needed by the organization to do the workload in TY 2023-2024?
- Cost-benefit analysis.

## RESPONSE NO. 2:

- a. Yes, the workforce analysis is provided starting at line 1 on page 198 through line 15 on page 233 of EXHIBIT SG-8 (Yucelen), and includes a detailed and extensive discussion of the need for each of the 13 new requested engineering, planning, and procurement positions. The explanation of how the work is being handled is also provided with the workforce analysis. The specific duties for these currently requested new positions are provided as ATTACHMENT I to EXHIBIT SG-8 (Yucelen). The number, position title, and job descriptions of San Gabriel's employees are provided in ATTACHMENT 2 to the Supplemental Data Request that was provided with San Gabriel's Proposed Application.
- b. The currently requested new engineering, planning, and procurement positions are presented in TABLE 22 on page 204 of EXHIBIT SG-8. The need for each of the 13 new positions are explained starting at line 10 on page 203 through line 15 on page 233 of EXHIBIT SG-8 (Yucelen). The locations of the specific needs for each position are identified in response to Request No. 1.b of Data Request SLM-010.
- c. As a result of the need to complete capital improvement projects, replace aging infrastructure, and improve the resiliency of the water system in response to drought and widespread groundwater contamination, the authorized capital budget increased by nearly 50% from approximately \$101 million for 2016 through 2019 (pursuant to D.17-06-008) to nearly \$188 million for 2019 through 2022 (pursuant to D.20-08-006). Although Cal-PA agreed to the budget increases, Cal-PA recommended against authorizing many of the positions requested by San Gabriel in prior GRC's. Because of a lack of staff, San Gabriel has struggled to meet project schedules and complete work on budget. San Gabriel is requesting to increase the budget for years 2022 through 2025 again by 67% to nearly \$315 million in order to address the needs and deficiencies in the water system. San Gabriel is requesting new positions to improve its planning, engineering, and procurement efficiency and avoid paying more for the similar services. Without the authorized positions, San Gabriel needed to retain professional planning and engineering consultants to assist in the completion of the workload, which slows down project completion and results in higher project costs. San Gabriel provided consulting cost summaries in response to data requests from Cal-PA in A.19-01-001 and A.22-01-003 that show that consulting costs have increased significantly. The cost analysis that was provided as ATTACHMENT 3 in response to Data Request JJS-001 of the prior GRC application, A.19-01-001 (provided herewith for years 2014 through 2018 as **SLM-013 ATTACHMENT 2**), reports that the total expenditures on all consulting services during the recent five-year period between 2014 and 2018 were \$5,967,137, which is an annual average of nearly \$1.2 million in consulting fees. By email from Joel Reiker to Sam Lam dated June 8, 2022, ATTACHMENT A.1 to that email reports that expenditures on design services during the past five years between 2017 and 2021 were \$7,745,403, which is an annual average of more than \$1.5 million in consulting fees. Adding San Gabriel's additional management, review, and checking cost to the consulting fees brings the total average annual cost of outsourcing the design work to around \$2 million, as explained by Joel Reiker in his June 8, 2022 email to Sam Lam. Another cost of outsourcing the work to consultants is that the work is not completed on

schedule and on budget.

To summarize, in order to cover their overhead and profit margins, consultants charge higher rates than San Gabriel needs to pay its own employees. However, San Gabriel still needs to provide management, supervision, review, and checking of the work produced by consultants. The work performed by consultants requires more time to complete, due to the need for San Gabriel to review and issue comments and corrections and for the consultant to respond to comments and issue corrected work. On top of consulting fees, this additional effort required by San Gabriel to manage the work of the consultants results in additional costs that cover San Gabriel's overheads, which are typically around 30% to 50% of the consulting fees. On the one hand, when San Gabriel utilizes its own employees to perform similar tasks, the work is completed expeditiously and at a lower cost than if the work were performed by consultants. On the other hand, when San Gabriel retains consultants, the work requires more time and costs because of the need to process, review, and check the work of consultants. With the additional personnel, San Gabriel performs efficiently and according to project schedules. Without the additional personnel, San Gabriel cannot complete the workload on schedule, and the requested budgets will increase.

RESPONDING WITNESSES: Yucelen

**REQUEST NO. 3:**

Please indicate if any of the report(s) in response to Q.2 relates to the position request(s) in Table 1-1 (or the *corrected table*).

- a. For example, a workload analysis in discussion of why an additional Senior Engineer (LAC) is necessary in TY 2023-2024.

**RESPONSE NO. 3:**

- a. Yes, the workload analysis pertains to all of the requested engineering, planning, and procurement positions. The needs for the additional requested positions are fully explained in EXHIBIT SG-8. The specific locations in EXHIBIT SG-8 of the justifications and reasons for why the positions are necessary are provided by line and page number in response to Request No. 1.b of Data Request SLM-010.

RESPONDING WITNESSES: Yucelen

**REQUEST NO. 4:**

Please answer the following question, for each position in Table 1-1 (or the *corrected table*).

- a. How has SGVWC's operation changed since the last GRC; such that it has created a need for the requested position?
  - i. Please provide examples of the changes in operation.
- b. Did SGVWC consider reclassifying any of the positions listed in Table 1-1 to fill

employment needed? Explain why or why not.

- i. If SGVWC did consider reclassifying positions, explain which positions SGVWC considered reclassifying.
- ii. What is SGVWC's ultimate determination on the feasibility of reclassifying positions, and why?

**RESPONSE NO. 4:**

a. As explained in EXHIBIT SG-8 under the heading XI. New Positions from page 198 through page 233, San Gabriel has not created needs for the currently requested new positions. Instead, San Gabriel explains that the positions are necessary to keep up with the market conditions and technological advances, and to complete the workload, which is required both to maintain and replace aging infrastructure and also to improve the resiliency of the water system in response to drought and water quality issues. San Gabriel re-iterates in response to several of the requests of Data Request SLM-012 and in Request No. 2 of this Data Request SLM-013, because San Gabriel has insufficient planning and engineering personnel, the workload is currently incomplete and behind schedule, and a backlog has resulted from unfinished and deferred tasks. Although the budgets needed to increase from prior GRC's, since Cal-PA opposed the majority of the positions San Gabriel requested in prior GRC's, the additional positions were not included in the settlement agreements and were not authorized by the Commission. San Gabriel is now lacking sufficient personnel to overcome the backlog, and the backlog has increased since the last GRC. San Gabriel's existing staff is fully utilized, and some of them are overloaded. Overloading them further will result in the failure of San Gabriel to complete its projects. San Gabriel has had to seek assistance from consultants, and San Gabriel's reliance on the consultants has already increased costs and slowed the progress of projects. Retaining consultants will cost more and slow progress on completing the budget. The specific needs for the positions that are described in EXHIBIT SG-8 and further explained in response to data requests follow for each position with additional references to the line and page numbers in Exhibit SG-8 and the request numbers of the data requests that address the needs of the position:

a.i

Supplier Diversity and Procurement Manager (FWC) – As explained at Lines 14 to 26 on page 232 of Exhibit SG-8, San Gabriel converted its former Purchasing Department into the Procurement Department in order to meet San Gabriel's current standards and goals with regard to the procurement of products, materials, and services. Refer to **SLM-013 ATTACHMENT 4.pdf** for additional details regarding the name change.

Senior Planning Engineer/Hydraulic Modeler (LAC/FWC) – San Gabriel is proposing to add the position of Senior Planning Engineer/Hydraulic Modeler in order to reduce its dependency on consultants for planning services. Currently, San Gabriel retains consultants to perform hydraulic modeling and update the water system master plan for both divisions. The detailed qualifications of the Senior Planning Engineer/Hydraulic Modeler are provided in the job description, Attachment I to Exhibit



SG-8. San Gabriel's request for the Senior Planning Engineer/Hydraulic Modeler will enable San Gabriel to avoid the cost to pay consultants to perform all of the services that are described starting at line 1 on page 210 through line 7 on page 212 of Exhibit SG-8. In 2021 alone, San Gabriel paid a consultant more than \$900,000 to update the water system master plan. Without the additional position, San Gabriel will need to increase its budget request in order to retain consultants to continue performing these services.

Asset Management Specialist (LAC/FWC) – As explained in response to Request No. 1 of Data Request SLM-012, San Gabriel requested this position in the prior GRC in order to assist in the implementation of the Asset Management System and Maintenance Management System, but Cal-PA opposed this request. Since San Gabriel implemented EAM and is still in process to develop the Asset Management and Maintenance Management Systems ("AMS" and "MMS"), San Gabriel needs the Asset Management Specialist to assume the duties and perform the tasks develop and maintain the AMS and MMS.

GIS Developer (LAC/FWC) – The need for the GIS Developer is based on San Gabriel's on-going need to develop and maintain the GIS along with web-based applications for use by the planning, engineering, and operations departments. As explained in response to Request No. 2 of Data Request SLM-002, San Gabriel has already made the request for this position in two previous GRC's. In both instances, Cal-PA opposed the request. The need for the GIS Developer remains. In addition to the on-going need, as explained starting at line 23 on page 214 through line 5 on page 217, the GIS Developer is needed now more than ever to assist in the integration of San Gabriel's GIS with the field management system and business systems software, including EAM, the Work Management System, SCADA, work order tracking, and document management, which were recently implemented, and the Customer Information System, which is currently being implemented, along with other applications to be developed, implemented, and maintained.

Assistant Engineer (FWC) – San Gabriel requested an Assistant Engineer in the prior GRC, but Cal-PA opposed adding the position. As explained starting at line 3 through line 19 on page 200, and starting at line 7 on page 217 through line 10 on page 219, the need for this position resulted both from the current and planned workload and also from the promotion of the former Assistant Engineer to the position of Engineer. By email dated June 8, 2022 from Joel Reiker to Sam Lam, San Gabriel explains that San Gabriel needs to retain consultants to provide similar services at a higher cost.

Field Engineer (FWC) – The need for the Field Engineer is fully explained starting at line 1 on page 227 through line 4 on page 224. In addition, as explained in response to Request No. 3 of Data Request SLM-012, in order to cover field inspections, San Gabriel's Project Manager, Construction Supervisor, and Assistant Field Engineer are all prioritizing the inspections that a Field Engineer is needed to perform, while their management and other duties fall behind. San Gabriel also re-iterates that its request for this position in a prior GRC was opposed by Cal-PA.

Designer I (FWC) – As explained starting at line 3 through line 19 on page 200, and starting at line 1 through line 22 on page 225, the need for this position results both from the current and planned workload and also from the promotion of the former Designer I to the position of Assistant Field Engineer. San Gabriel requested a Designer I in the prior GRC, but Cal-PA opposed adding the position.

Two Engineering Administrative Assistants (FWC/LAC) – San Gabriel requested one of the positions in the prior GRC, but Cal-PA opposed adding the position. As explained starting at line 12 on page 219 through line 23 on page 221, the workload and backlog necessitates two additional Engineering Administrative Assistants, both of which have been filled. San Gabriel had already filled one of the requested Engineering Administrative Assistants prior to filing A.22-01-003. San Gabriel filled the other requested position of Engineering Administrative Assistant as a Project Administrator in June 2022, which fulfills the need for an employee to provide immediate administrative support to the Engineering Manager and Senior Project Administrator.

Surveyor (FWC) – San Gabriel requested the position of Surveyor in the prior GRC, but Cal-PA opposed the request. As explained starting at line 24 on page 225 through line 5 on page 228, by email dated June 8, 2022 from Joel Reiker to Sam Lam, and in response to Request No. 4 of Data Request SLM-012, San Gabriel needs the position of Surveyor to assist with the development of the AMS and perform the duties that San Gabriel is currently outsourcing to consultants. Professional land surveying consultants charge rates that include overhead and profit and require San Gabriel to add around than 30% to the cost of consulting fees to cover San Gabriel's overhead cost to review, check, and manage the consultant's work products. Hiring the Surveyor will result in reduced overhead charges and greater production efficiencies.

Senior Engineer (LAC) – As explained starting at line 7 on page 228 through line 3 on page 229, the Senior Engineer position is needed as a result of the backlog that is developed, consisting of incomplete plant and pipeline designs. The need for the Senior Engineer and backlog are further described in response to Request Nos. 5 and 6 of Data Request SLM-012.

Assistant Engineer (LAC) – San Gabriel requested an Assistant Engineer in the prior GRC, but Cal-PA opposed adding the position. As explained starting at line 3 through line 19 on page 200, and starting at line 5 on page 229 through line 3 on page 231, the need for this position results both from the current and existing workload and also from the promotion of the former Assistant Engineer to the position of Engineer. By email dated June 8, 2022 from Joel Reiker to Sam Lam, San Gabriel also explains that San Gabriel needs to retain consultants to provide similar services at a higher cost.

Assistant Field Engineer (LAC) – As explained starting at line 5 on page 231 through line 12 on page 232, the need for the Assistant Field Engineer results both from the increasing workload, growing backlog, and lack of inspection personnel and also from the promotion of the previous Assistant Field Engineer to the position of Field Engineer. In response to Request No. 3 of Data Request SLM-012, San Gabriel also

explains that the construction personnel are overloaded due to a lack of personnel available to assist with inspection.

b.i

No, since the filing of the proposed application in November 2021 through the filing of the final application in January 2022 (A.22-01-003), San Gabriel already reclassified four positions in order to meet San Gabriel's needs for more experienced personnel to fill higher skilled positions. San Gabriel promoted four qualified and experienced employees by changing their titles to the positions that require more experience, higher skills, and broader responsibilities. However, the reclassification of these positions did not eliminate the need for new positions. San Gabriel did not combine the responsibilities of their former positions with those of the higher skilled positions and double their duties. All of San Gabriel's planning and engineering employees are now utilized at their full capacities. As explained in response to several of the requests of Data Request SLM-012, some of the positions are already overloaded while trying to cover some of the duties of multiple positions. Additional personnel are needed to accomplish the workload and keep projects from falling further behind schedule. Since the positions of those four promoted employees were re-classified into higher skilled positions, San Gabriel now needs additional employees to take over the duties of their former positions. The promotions and the new position requests are listed are shown in Table 22 on page 204 along with the updated position requests. An extensive discussion regarding the positions San Gabriel re-classified and the reasons and benefits for re-classifying positions are provided in Exhibit SG-8 starting at line 1 on page 198 through line 6 on page 204. Based on the re-classifications of four positions, including the promotions of two Assistant Engineers to the position of Engineer, a Designer I to Assistant Field Engineer, and an Assistant Field Engineer to the position of Field Engineer, San Gabriel now has a need for two Assistant Engineers, a Designer I, and an Assistant Field Engineer. In addition, as explained in response to Request 1.a above, San Gabriel filled the requested position of Engineering Administrative Assistant as a Project Administrator, which fulfills the need for an experienced employee who can provide administrative support to the Engineering Manager and Senior Project Administrator.

b.ii

As explained in response to Request No. 4.b.i above, it is not feasible to reclassify more positions at this time, and San Gabriel actually needs positions to replace the four positions that were reclassified. Starting at line 1 on page 201 through line 2 on page 202 of EXHIBIT SG-8, San Gabriel explains that the determination of whether a position can be re-classified is made based on several factors. It is based on the workload and complexity of the work processes, permitting requirements, technology, and building practices; requirements for specialized knowledge; and evolving procurement and construction practices; along with the qualifications, skill, and education that are necessary for an existing employee to have in order to cover the duties of a reclassified position. San Gabriel can only re-classify the positions for employees who have attained the skills and experience necessary for the re-classified position. For example, San Gabriel cannot simply re-classify the position of Operator I to a Senior Engineer, or re-



classify the position of Meter Reader to the position of GIS Developer, because employees in those positions do not have the qualifications and skills required to be promoted into these necessary positions. At this time, San Gabriel has no employees in positions that can be re-classified to any of the currently requested new positions.

RESPONDING WITNESSES: Yucelen

Please call me at (626) 448-6183 with any questions regarding this information.

Sincerely,

/s/ Joel M Reiker

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Joel M. Reiker

Vice President, Regulatory Affairs

Cc: Sam Lam [sam.lam@cpuc.ca.gov](mailto:sam.lam@cpuc.ca.gov)

/encl.

**Attachment 1-4: San Gabriel's 06.08.2022 Email Response to Discovery  
Regarding GIS Developer.**

*Note: The following email response has been reformatted to include in this Report.*

Lam, Sam

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**From:** Joel M. Reiker <jmreiker@sgvwater.com>  
**Sent:** Wednesday, June 8, 2022 3:47 PM  
**To:** Lam, Sam  
**Cc:** Aslam, Mehboob; Chan, Victor; Matt Y. Yucelen; Kristofer J. Olsen  
**Subject:** [EXTERNAL] RE: Question Regarding the GIS Developer Position Request

Good afternoon Sam,

Please see San Gabriel's response to your second question regarding the GIS Developer below in red. The attachments referenced in the response can be found at the following Dropbox link in the folder titled "GIS Developer, Surveyor, Assistant Engineer":

<https://www.dropbox.com/sh/5fkywosyymwglr/AABjOcOfk1WEu8wDLRsr9ZPa?dl=0>

Thanks,

---

Joel M. Reiker  
Vice President of Regulatory Affairs  
San Gabriel Valley Water Company  
11142 Garvey Avenue  
El Monte, CA 91733 626.448.6183  
[www.sgvwater.com](http://www.sgvwater.com) [www.fontanawater.com](http://www.fontanawater.com)

**From:** Lam, Sam <Sam.Lam@cpuc.ca.gov>

**Sent:** Tuesday, May 31, 2022 11:56 AM

**To:** Joel M. Reiker <jmreiker@sgvwater.com>

**Cc:** Aslam, Mehboob <mehboob.aslam@cpuc.ca.gov>; Chan, Victor  
<victor.chan@cpuc.ca.gov>

**Subject:** RE: Question Regarding the GIS Developer Position Request

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

\*Apologies, adding Mehboob and Victor to the CC list.

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**From:** Lam, Sam

**Sent:** Tuesday, May 31, 2022 11:55 AM

**To:** Joel M. Reiker <[jmreiker@sgvwater.com](mailto:jmreiker@sgvwater.com)>

**Subject:** Question Regarding the GIS Developer Position Request

Hi Joel,

I have a few questions regarding the GIS Developer position in Exhibit SG- 8 (Yucelen), p. 216.

Mr. Yucelen states “SGVWC has had to hire outside consultants to develop the GIS and expand its capabilities... SGVWC is seeking to bring this GIS expertise in-house, which will save costs associated with paying outside consultants to perform these critical, time- sensitive tasks related to the development of GIS.”

1. Can you clarify if this associated cost- savings has been reflected in the RO model?
2. In addition, can you provide the annual costs associated with hiring outside consultants to develop the GIS and expand its capabilities over the last 5 years? Please provide any contracts associated with this outside services.

Attached please find ATTACHMENT A.3 for San Gabriel's annual expenditures on geographic information system ("GIS") development services from 2017 through 2021 outsourced to professional GIS development consultants and ATTACHMENT B.3 for copies of the executed contracts for outsourced GIS development services. The total present value of the GIS development services required to develop and improve San Gabriel's GIS and integrate the GIS with other software systems, such as the field management system and business software systems, over the past five years is nearly \$540,000, which amounts to approximately \$110,000 annually. In addition to the expenditures on GIS development consultants, whenever work is outsourced to a consultant, San Gabriel must perform the range of administrative operations and project management, supervision, and data processing duties necessary to review and approve the work prepared by the consultant. San Gabriel must prepare proposal requests, evaluate bids, draft and execute contract documents, process invoices, and progress payments, monitor the project schedule and budget, and review and check the work submitted by the consultants. Accordingly, in addition to the average annual costs shown in ATTACHMENT A.3, San Gabriel's management, supervision, review, checking, and overhead costs related to GIS development services of approximately 30% of the expenditures also need to be considered as a cost to outsourcing such services.

Going forward, San Gabriel prepared its capital budgets in consideration of the GIS development work being performed by a combination of consultants and its own GIS Developer. San Gabriel is budgeting approximately \$2.5 million for the years 2022 through 2025 in both divisions for projects that require the services of the GIS Developer and GIS development consultants. These projects include developing GIS updates and improvements that will add functionality to the GIS and support web-based applications, along with the GIS development work required to implement and improve San Gabriel's Asset Management and Maintenance Management Systems and Project Delivery System Improvements, which San Gabriel has deferred from prior years in anticipation of bringing a GIS Developer in- house. San Gabriel anticipates self- performing approximately 50% of the development in- house and retaining the consultant to perform complex and specialized development work. The GIS Developer is needed now to program and integrate a variety of software systems in order to track the condition, performance, and cost of San Gabriel's water system assets, streamline San Gabriel's preventative and routine maintenance schedules, and implement project management and delivery system applications. The specific duties and needs of the GIS Developer are explained in Exhibit SG- 8 (line 23 on page 214 through line 5 on page 217), and they include but are not limited to, the following: add valuable functionality to the GIS that improves the efficiency of water system information system, integrate San Gabriel's business system software and asset and maintenance management systems with the GIS, maintain and develop web- based applications to support the functions of San Gabriel's organization, configure software updates to maintain compatibility among the various software systems in use by San

Gabriel, ensure that the developed applications meet all user requirements, and develop and implement best management practices for GIS and system integration processes. If San Gabriel would not be authorized to hire the GIS Developer directly, then San Gabriel would need to increase its budget requests in order to account for the additional costs to retain consultants to perform the work, because the rates charged by consultants are more than double the annualized hourly rate of the salary that San Gabriel will pay its own GIS Developer. San Gabriel would also lose efficiency by retaining consultants to perform all of the GIS development work because of the need for San Gabriel to perform additional management, supervision, and review for the work performed by the

consultants. Consequently, San Gabriel would also need to account for the additional 30% in review and overhead costs on work to be performed by consultants, in addition to the higher rates they charge for similar work. As a result, San Gabriel can more efficiently and cost- effectively perform GIS development work by hiring its own GIS Developer.

Thank you,

**Public Advocates Office**

California Public Utilities Commission  
505 Van Ness Avenue, San Francisco,

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**Attachment 1-5: San Gabriel's Response to DR SLM-012.**



*Note: The following data response has been reformatted to include in this Report.*

## **SAN GABRIEL VALLEY WATER COMPANY**

July 6, 2022

Mehboob Aslam

Water Branch, Cal PA  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**(by email)**

Re: **Response to Data Request No. SLM-012 (General Office New Positions Request)**

Dear Mr. Aslam:

In response to your data request dated June 24, 2022, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

### **REQUEST NO. 1:**

Regarding the Asset Management Specialist position request, on p. 212 of SG-8 (Yucelen):

- a. Who currently focuses on the task of planning asset maintenance and replacement, monitoring, developing records for and maintaining the Company's assets in the Enterprise Asset Management (EAM) and the vertical asset registry?
  - i. How does the current EAM assist San Gabriel in managing its asset?
  - ii. How did San Gabriel manage its asset [sic] prior to the EAM?
  - iii. What knowledge and skill does the new position need to have?
  - iv. Is it possible for San Gabriel to provide training to its existing staff to perform the responsibility of this position?
  - v. What is this position's title?

- vi. What is the corresponding line-item in the RO model, worksheet PR4?
- vii. Please provide the 2017 – 2021 overtime record of the positions that previously and is currently doing the work of an Asset Management Specialist.
- viii. What % of the recorded overtime is related to the duties of an Asset Management Specialist?

**RESPONSE NO.1:**

- a. The Planning Manager is responsible for the asset management system, including asset planning and maintenance, along with other planning management duties, including, but not limited to, development of capital improvement projects, preparation of master plans and feasibility studies, updating the hydraulic model, performance of feasibility studies, developing and updating the GIS, develop the asset and maintenance management system for San Gabriel's capital assets (lines 12-26, Page 205, Exhibit SG-8). Because of the numerous functions he oversees and duties he manages, he needs additional personnel who are dedicated and focused on the task of planning asset implementation, maintenance, and replacement and updating and compiling records for San Gabriel's assets. When EAM was implemented, San Gabriel utilized the services of consultants (Spatial Wave and Advoco, a subconsultant of RPI) to set up and configure EAM, organize the asset hierarchy, integrate the EAM software with GIS and other software systems, and enter data into EAM. The consultants retained by San Gabriel have a depth and breadth of specialized expertise, training, and experience in asset management.

Now that EAM is online, San Gabriel needs the Asset Management Specialist to keep EAM up to date by updating equipment records, key performance indicators, and asset attributes and conditions; to organize the supporting documentation, including, but not limited to equipment brochures, manufacturer specifications, maintenance agreements, condition assessment and testing reports, and warranty information; and to assist in developing the asset management and maintenance management systems, which will have an effective capacity for digital recordkeeping and programmed schedules for routine and preventative maintenance. San Gabriel requested the position of Asset Management Specialist in the prior GRC (A.19-01- 001). Cal-PA opposed the addition of this position, and as a result the position was not authorized by D.20-08-006. San Gabriel is now behind in keeping asset data current in EAM and is not able to develop and improve the asset management and maintenance management systems without retaining consultants at higher rates and that require additional costs for San Gabriel to manage, review, supervise, and check their work results.

- i. EAM functions as a centralized asset management system that enables San Gabriel to record a breadth and depth of information about its assets and present them in a unified system. The EAM contains information about all of San Gabriel's assets, including their unique location, asset type, size, status, various attributes, and condition, along with other information related to the assets, such as approved plans and materials and parts lists. As mentioned in response to Request 1.a above, when San Gabriel implemented and configured EAM to enable San Gabriel to centralize its asset data

into the unified system, San Gabriel retained consultant with expertise and decades of experience in asset management. The consultant performed software programming, development, system integration, and customizations required for San Gabriel to improve its asset management practices and procedures. Now that the system is online, personnel from engineering and operations access EAM to open and process work orders, organize requests for piping and material by work order, track the cost and status of certain projects, and perform final accounting for projects. San Gabriel's engineering projects are organized as tasks in EAM. Each task has a checklist of work that enables engineers, designers, and administrative personnel to update the project status and track the work as it progresses. Final project documentation related to each asset that is designed and built according to a work order is uploaded to EAM for reference and maintenance purposes. At this time, San Gabriel needs the Asset Management Specialist to focus on entering asset information into EAM, checking EAM to be sure that available information related to the assets is complete, monitoring the conditions of assets and updating their conditions in EAM, and scheduling their maintenance and replacement. The EAM system also has the capacity to be configured to effectively program maintenance schedules for San Gabriel's assets. However, San Gabriel has not been utilizing EAM in this capacity because the configuration is required to be implemented as part of the Asset Management and Maintenance Management Systems project. The Asset Management Specialist will assist with developing and improving the capacity of EAM into a Maintenance Management System.

- ii. Prior to implementing EAM, along with the other planning functions that are now also being overseen by the Planning Manager, asset management was performed primarily by the Vice President – Engineering, San Gabriel's Chief Engineer, and other key employees within the Engineering Department, as explained at lines 14 to 27 on Page 206 and lines 1 to 6 on Page 207, Exhibit SG-8. San Gabriel conducted asset management by relying on numerous sources of paper-based records with information that was required to be copied and compiled into spreadsheets and other documents. San Gabriel retained a consultant to complete a vertical asset registry for each division to centralize asset data by plant. The vertical asset registry was utilized to configure EAM, and as a result of the implementation of EAM, San Gabriel now has a centralized asset management system. However, San Gabriel requires additional personnel to ensure that the asset management system is maintained up to date and its capabilities developed so that San Gabriel's assets are effectively planned, designed, permitted, implemented, operated, maintained, replaced, and decommissioned throughout their lifecycles. As a result of a lack of staff, San Gabriel is currently managing its assets by utilizing a combination of EAM and its old paper-based records.
- iii. The knowledge and skills that the Asset Management Specialist must have are fully explained at lines 6 to 26 on Page 213 of Exhibit SG-8 that was submitted with this application A.22-01-003. Additionally, the job description for the Asset Management Specialist that is provided in Attachment I to Exhibit SG-8 lists the job duties and essential functions of the positions, along with additional details of the skills, knowledge and the physical requirements of the position. The job description also

explains the education, training, and experience prerequisites for the position. Please refer to the referenced portions of Exhibit SG-8 that are provided with San Gabriel's final application (A.22-01-003) for the requested information. The qualifications and a job description for the position were also provided in the previous GRC (A.19-01-001) with San Gabriel's previous request for the position. To summarize the information that has already been provided, the Asset Management Specialist must be knowledgeable of asset management principles and practices that include development of hierarchies for new assets, lifecycle analysis, monitoring key performance indicators for water system assets, performance forecasting, resource optimization, reliability modeling, and maintenance planning. The key skills required by the Asset Management Specialist include having an understanding and familiarity with implementation, operations, and maintenance requirements for water utility infrastructure assets and a proficiency with database software, such as EAM and Microsoft Access. Accordingly, San Gabriel requires that the Asset Management Specialist has a degree in business or engineering, as well as extensive knowledge of database technology and/or GIS.

- iv. No, it is not possible to train an existing employee into the position of Asset Management Specialist because no employees are available to train. All of San Gabriel's engineering and planning personnel are fully occupied with the responsibilities and tasks required of their current positions, and some of them are already overloaded and trying to perform some the responsibilities of multiple positions. Projects are at risk of falling further behind schedule. If San Gabriel had sufficient personnel to train an existing employee into the position of the Asset Management Specialist, then San Gabriel would not be requesting this position in this GRC. At this time, training an existing planning or engineering employee would result in failure. Projects would not be completed on budget. Because of the need to complete capital improvement projects to replace aging infrastructure and improve the resiliency of the water system in response to drought and widespread water quality issues, the authorized capital budget increased by nearly 50% from approximately \$101 million pursuant to D.17-06- 008 to nearly \$188 million pursuant to D.20-08-006. Although Cal-PA agreed to the budget increase, Cal-PA recommended against authorizing many of the positions requested by San Gabriel in prior GRC's. Due to a lack of staff, San Gabriel has struggled to meet project schedules and complete work on the budget . San Gabriel is requesting to increase the budget for years 2022 through 2025 again by 67% to nearly \$315 million in order address the needs and water quality and storage deficiencies in the water system. San Gabriel's aging water system will continue to require budget increases to maintain and improve its assets, and sufficient staffing is effective management of the budget. On the one hand, when San Gabriel utilizes its own employees to perform similar tasks, the work is completed expeditiously and at a lower cost than if the work were performed by consultants. On the other hand, when San Gabriel retains consultants, the work requires more time and costs because of the need to process, review, and check the work of consultants. Without the additional personnel, San Gabriel cannot complete the workload on schedule and on budget, and, more importantly, the risk of failure of the water system increases.

Even if San Gabriel had an employee to train to perform the duties of the Asset Management Specialist, instead of the duties of the employee's current position, then San Gabriel would still need an additional position to fill in and take over for that employee while they are in training to become the Asset Management Specialist. For example, if San Gabriel were to train an Assistant Engineer to perform the duties of the Asset Management Specialist, the wave created by pulling the Assistant Engineer away from engineering duties to perform planning duties would result in the need for an additional Assistant Engineer instead of the Asset Management Specialist. Moreover, although San Gabriel needs the Asset Management Specialist now, the employee would need to be trained for several years before having the experience and skills necessary to sufficiently perform the duties of the position. The requested position of Asset Management Specialist has specialized education, skills, and experience, which are described in Exhibit SG-8, as mentioned in response to Request No. 1.a.iii above. The effort required to train anyone to perform these duties would require about five years of training and experience, in addition to the requirement for the four-year college degree. Because San Gabriel needs the new position to focus on performing asset management duties now, the position cannot be utilized to perform other engineering functions. As a result, the prerequisite experience for the position is five years of working experience in asset management. Accordingly, San Gabriel is seeking experienced candidates who already have the education, background, and expertise necessary to perform the duties of the Asset Management Specialist.

- v. As mentioned in response to Request No. 1.a.iv, San Gabriel does not have any employees available to train into the position of Asset Management Specialist.
- vi. Please see WORKPAPER PR4, LINE 315.
- vii. The personnel who performed asset management duties include the Vice President – Engineering and the Chief Engineer, who are exempt and do not qualify for overtime. In 2019 and 2020, San Gabriel retained a consultant to implement EAM as part of the upgrade to San Gabriel's business systems. The consultant (Advoco, a subconsultant of RPI) was retained to implement the Work Management System, which included the implementation and configuration of EAM. In addition to the expenditures of more than \$850,000 in consultant fees to implement EAM during those two years, San Gabriel performed a host of administrative operations and engineering management, supervision, and related duties to check, process, and approve the work prepared by the consultant. For example, to implement the Asset Management System in EAM, San Gabriel utilized its staff to check that the work flows that were configured in EAM met with San Gabriel's requirements, and that the data entered was accurate. During this process, exempt employees frequently stayed late after normal business hours and worked during weekends in order to prepare documents to provide to the consultant and to review and approve documents provided by the consultant. Currently, the Planning Manager, who is also exempt from overtime, is performing asset management duties along with his other responsibilities but cannot cover the full schedule of tasks required by the position of Asset Management Specialist.

Consequently, the full functions of EAM are not being utilized.

1. As mentioned in response to Request 1.a.viii above, San Gabriel retained a consultant to build and perform data entry for the asset management system at a cost of more than \$850,000. All overtime work related to asset management was performed by exempt employees.

RESPONDING WITNESSES: Yucelen, Reiker

**REQUEST NO. 2:**

Regarding the GIS Developer position request, in an email response dated 06.08.2022, SGVWC is budgeting approximately \$2.5 million in the years 2022 through 2025 in both divisions for projects that require the services of the GIS Developer and GIS development consultants.

- a. Please breakdown how the \$2.5 million is allocated annually between 2022 through 2025.
- b. What does SGVWC estimate the annual GIS development consultant costs to be in 2022 through 2025? Provide relevant documents for support.
  - i. Is it possible for San Gabriel to provide training to its existing staff to perform the responsibility of this position?
- c.
  - i. What are the projects related to this GIS development work?
  - ii. Please provide a timeline of related projects in 2023, 2024, 2025, and 2026.
  - iii. If the position is approved, has San Gabriel accounted for the potential savings in its current filings? Where in the RO model is SGVWC's savings estimation reflected?

**RESPONSE NO. 2:**

- a. Refer to **SLM-012 ATTACHMENT 2.a** for the annual breakdown for the \$2.5 million budget for services requiring GIS development, which is approximately \$620,000 annually between 2022 through 2025.
- b. Refer to **SLM-012 ATTACHMENT 2.a** for the budgets that require the services of the GIS Developer. San Gabriel allocated the portions of the project budgets for GIS Updates, Project Delivery System Improvements, and the Asset Management and Maintenance Management Systems, which are described in Exhibit SG-8 and its attachments, to be performed by San Gabriel's GIS Developer employee. San Gabriel budgeted to perform approximately 50% of each of the project budgets in-house. As mentioned in response to the email from Joel Reiker to Sam Lam dated June 8, 2022 regarding the position of GIS Developer, if San Gabriel were to outsource GIS development instead of hiring a GIS Developer as a direct employee, San Gabriel would need to increase its budget request for GIS development work to account for the higher rates charged by consultants and to account for San Gabriel's additional required cost to manage the consultants. Moreover, because of San Gabriel's lack of a GIS Developer employee, San Gabriel would need to retain another consultant to check the work of the consultant. The additional budget would also need to be



sufficient to cover additional overhead and review costs required to perform requisite administrative tasks and ensure that the work produced by the consultants complies with San Gabriel's GIS standards and best management practices. Accordingly, the amounts listed in **SLM-012 ATTACHMENT 2.a** reflect the portion of the project budgets that are allocated to the in-house GIS development work and the portion allocated for consulting work.

- i. No, it is not possible to train an existing employee into the position of GIS Developer. If San Gabriel did not need a GIS Developer and could train an existing employee into the position, the new position would not be requested in this GRC. San Gabriel has already made requests for the new position of GIS Developer in the two previous General Rate Cases (A.16-01-002 and A.19-01-001). However, Cal-PA opposed the addition of the GIS Developer both times, and so the addition of the GIS Developer position was excluded in both D.17-06-008 and D.20-08-006. San Gabriel needed to retain consultants to complete some of the work, because no staff is available to train or perform GIS development work. All of San Gabriel's engineering and planning personnel are overloaded and struggling to complete the duties of their current positions. Some of them are already trying to cover some of the duties of multiple positions, and projects are already falling further behind schedule. Overloading any one of them further with responsibilities and duties of the GIS Developer in addition to those they are currently required to perform would result in failure and would not be effective in managing the workload. The GIS Developer must be skilled in programming with Python, .NET, JavaScript, and related software languages in order to help edit spatial and attribute data, build and manage geodatabases, handle spatial analysis projects, develop GIS web-based applications, and integrate various software systems with GIS. The effort required to train anyone to perform these duties would require about five years of experience in addition to the four-year computer science or software engineering degree requirement. Although San Gabriel needs the new position to be dedicated and focused on performing GIS development duties now, San Gabriel would have to continue to retain consultants to provide all of San Gabriel's GIS development services while waiting several years in order for an existing employee to acquire the necessary knowledge and skills. Meanwhile, San Gabriel would need to hire an additional employee to fill in and take over for that employee. As a result, a prerequisite for any candidate for the position of GIS Developer is five years of working experience in the performance of utilizing and developing GIS. Accordingly, San Gabriel is seeking experienced candidates who already have the education, background, and expertise necessary to perform the duties of the GIS Developer.

If San Gabriel were not authorized to hire a GIS Developer directly, San Gabriel would need to request larger budgets to retain consultants not only to complete the workload, but also to perform the quality control and assurance that the GIS development tasks were being completed according to industry standards. San Gabriel would need to request the additional budget to pay for the higher rates consultants charge, along with the management, supervision, and administrative costs required to process the GIS development work. While budgets would increase, project schedules



would fall behind while San Gabriel were seeking out consultants, preparing agreements, and processing and reviewing their work.

c.

- i. The projects that are listed on the capital budget from 2022 through 2025 that require the services of the GIS Developer include GIS Updates, Project Delivery System Improvements, and the Asset Management System and Maintenance Management System development and implementation. The GIS Developer will also be responsible for integration, configuration, and customization of GIS applications and tools, along with the following applications that are included in the budget for GIS Updates:
  - Assist in migrating San Gabriel's GIS editing processes from ArcMap to the latest GIS management and coordination tool, ArcGIS Pro, which includes the following features and benefits:
    - Operates on a 64 bit, multi-threaded platform,
    - Integrates 2D and 3D maps,
    - Create multiple maps, scenes, and layouts for presentations,
    - Utilized with a ribbon interface similar to Microsoft Office products,
    - Publishes content directly to ArcGIS Online / Portal,
    - Direct access to ArcGIS Online content,
    - Results in complete ArcGIS Pro project files,
    - Convert to geodatabase files to ArcGIS Pro project files, and
    - Included with ArcGIS Desktop licensing at no additional cost.
  - Create a utility isolation and tracing application that will enable San Gabriel to identify and manage the impact of a main leak wherever it might occur in the water system. The application will help San Gabriel identify customers who would be affected by the shutdowns necessary to repair the leak, as well as identify valves to be closed in the water system in order to isolate the main for the repair. This tool would be utilized by multiple departments to plan, design, and implement main shutdowns and repairs.
  - Build custom ArcGIS dashboards that will convey information about San Gabriel's water system, such as service area size, number of customers, size of customer meters, total footage of transmission and distribution water mains, types of pipe material of transmission and water mains, water usage, etc., for the benefit of and use by San Gabriel's personnel when preparing reports and responding to data requests.
  - Configure and update Capital Planning tools in GIS to help San Gabriel define capital improvement projects, coordinate project schedules across multiple departments, manage main and service replacements, monitor pavement moratoriums, and share capital improvement plans with the public, local agencies, and/or San Gabriel's shareholders for the purposes of permitting, utility coordination, and public information.

- Develop, maintain, and update an automated process to populate San Gabriel’s customer billing information into GIS for the benefit of San Gabriel’s departments in preparing reports, sharing information with the public, and responding to data requests.
- Develop and maintain an automated process by taking data from San Gabriel’s GIS and transferring it to the pipebook spreadsheet in order to update franchise agreement obligations, prepare annual reports for the California Public Utilities Commission, and manage San Gabriel’s linear assets.
- Develop a system to generate detailed reports from EAM that present asset records, maintenance schedules, service life, and project management information.
- Implement project delivery system improvements that require consistent communication regarding project status, reports, and record keeping in order to plan and implement Capital Improvement Projects.
- Assist in integrating GIS with various business systems and databases such as Enterprise Asset Management, Finance and Supply Management, Customer Information Services, SCADA, and the hydraulic model.

ii. The budget years for each project are provided in **SLM-012 ATTACHMENT 2.a**.

iii. As mentioned by email dated June 8, 2022 from Joel Reiker to Sam Lam, San Gabriel accounted for the salary of the GIS Developer in its project budgets that require GIS development services. If the new position of GIS Developer were not authorized, then San Gabriel would need to increase its budget requests for those projects sufficiently to cover the costs of retaining a consultant to perform the GIS development work and of San Gabriel’s review, checking and administrative tasks to manage the work of the consultant. Moreover, San Gabriel would need to retain another consultant to peer review the work of the GIS development consultant, which would require the budget request to increase further, and result in projects falling further behind schedule. As shown on LINE 316 of WORKPAPER PR4, San Gabriel only included 50% of the GIS Developer’s salary in the proposed revenue requirement beginning January 1, 2024. Because the test year in this proceeding begins on July 1, 2023, only 25% of the GIS Developer’s salary will be included in rates during the rate case cycle.

RESPONDING WITNESSES: Yucelen, Reiker

### **REQUEST NO. 3:**

P. 222 of SG-8 (Yucelen), SGVWC states that the field engineer’s duties are currently being covered by both the Project Manager and Assistant Field Engineer.

- a. Do the current staffs not adequately cover the field engineer’s duties?
  - i. Please provide examples where the Project Manager and Assistant Field Engineer failed to complete the related duties.
- b. What is the Project Manager and Assistant Field Engineer’s annual recorded

overtime in 2017 through 2021, respectively?

- i. What is the annual cost of the recorded overtime in dollar amounts, in total and for each position?
  - ii. What percentage of the recorded overtime is related to conducting the field engineer's duties, in total and for each position?
- c. What are the job duties of a project manager, field engineer and an assistant field engineer?
- i. Is it possible for San Gabriel to provide training to its existing staff to perform the responsibility of this position?

**RESPONSE NO. 3:**

- a. The Project Manager, Construction Supervisor, and Assistant Field Engineer prioritize inspections and field engineering duties so that construction can proceed to be completed on time and on budget, in accordance with the approved plans and specifications. In doing so, management and supervision tasks that the Project Manager and Construction Supervisor need to perform fall behind and are delayed. Additional details are provided in response to Request 3.a.i below.
  - i. The Project Manager is currently overloaded with a range of duties, including construction project management and field engineering duties, because of a lack of field engineering personnel. Because of the workload, staffing is insufficient, and San Gabriel is retaining consultants to assist in project management. In addition, if the Construction Supervisor, Senior Inspector, or Assistant Field Engineer is out sick or is taking earned vacation, other members of the construction team need to cover inspections, which take priority over project management or construction supervision tasks. San Gabriel's lack of construction staff also requires that designers be utilized to perform some field inspections, though as a result of sending designers to check field work, design projects are further delayed. As a result of the inspection workload and lack of a Field Engineer, the Project Manager has a growing backlog consisting of deferred management tasks, such as organizing and maintaining the construction project binder for each project, responding to requests for information from contractors, reviewing and approving submittals and shop drawings, reviewing and approving change orders, and scheduling new construction projects to start. The duties of Project Manager require that he work in the office to manage the administrative work, including preparing bid packages, reviewing the authorizations to start new projects, and organizing construction folders. However, the Project Manager cannot complete office duties while performing field inspections that need to be covered by a Field Engineer. Requests for proposals and construction bid packages that need to be prepared by the Project Manager are deferred or handed off to more junior employees and then their work is checked by the Engineering Manager, because the Project Manager is unable to complete these tasks while inspecting projects in the field. Meanwhile, the Engineering Manager's tasks are deferred while covering some of the management duties for the Project Manager.

In addition to the Project Manager and Assistant Field Engineer, the capacity of San Gabriel's Construction Supervisor is also being strained. Whenever the Project

Manager is out, the Construction Supervisor covers the Project Manager's field engineering duties for plant construction projects. Vice versa, when the Construction Supervisor is out of the office sick or on vacation, the Project Manager needs to cover his duties, which pulls the Project Manager away from tasks that need to be performed by the proposed Field Engineer. As a result, inspections are not always fully covered, and those that are covered are inefficient. However, because the Construction Supervisor is also required to cover inspections for new and replacement mains and services, San Gabriel's lack of personnel available to cover plant inspections results in the delay of starting new construction projects and a backlog of projects are waiting to be scheduled to start construction. The Construction Supervisor currently has 13 projects in the Fontana Water Company division and 11 project in the Los Angeles County division ready to schedule but cannot due to the lack of personnel to cover all of the inspections.

- b. The Project Manager position is an exempt position and does not qualify for overtime. Because the Project Manager must prioritize field engineering tasks over office work, so that construction proceeds without further delay, the Project Manager works additional hours during the week, as needed, and attempts to catch up on managerial duties that fall behind when he is covering the duties of the Field Engineer, as discussed in response to 3.a.i above and particularly when the Project Manager or Construction Supervisor is out sick or takes vacation. Whenever the Project Manager is out of the office, this results in a falling domino line of responsibilities, as the Construction Supervisor needs to cover some of the field inspections that the Project Manager was performing. In that case, the Construction Supervisor is able to perform only a cursory inspection of the new and replacement main and service project inspections, and his office tasks fall behind, as well. The Assistant Field Engineer is not typically assigned to work overtime because he requires supervision and guidance to complete his tasks, and a Field Engineer is not available to provide any guidance or supervision to the Assistant Field Engineer. As stated at lines 23 to 27 on page 223 and 1 to 4 on page 224 of Exhibit SG-8, the Assistant Field Engineer is currently assigned to assist with pipeline inspection so that the Construction Supervisor has some time to perform office duties whenever he is not required to cover inspections.
- i. As stated in response to Request 3.b above, the Project Manager is an exempt position and does not qualify for overtime, and the Assistant Field Engineer is not assigned to work overtime because the entry-level position requires supervision. However, in the Los Angeles division, in 2022 from January through the month of June, San Gabriel retained the services of consultants that provide construction project management supervision to help manage plant improvement construction projects at Plants No. 2, No. 14, M3, and M7, which to date has resulted in approximately \$83,000 of construction project management consulting services. Even with the additional construction project management consulting services, the Project Manager for the Los Angeles division is struggling to catch up with Project Management duties while covering the inspections. The additional project management services are necessary because the Project Manager is required to perform the field inspections, in addition to completing his managerial duties.
- ii. As mentioned in response to Requests 3.b and 3.b.i, the position of Project Manager

does not qualify for overtime, and the Assistant Project Manager is not assigned to work overtime due to his need for supervision and additional training. As stated at lines 3 to 7 on Page 223 of Exhibit SG-8, the additional Field Engineer will enable the Project Manager to focus on managerial duties while working fewer additional hours during the week to catch up. The additional Field Engineer will allow San Gabriel to provide supervision, guidance, and training to the Assistant Field Engineer.

- c. The job duties of the Project Manager, Field Engineer, and Assistant Field Engineer are listed in the job description for each position that was provided as Attachment 2 to the Supplemental Data Request. Notably, the positions of Field Engineer and Assistant Field Engineer are subordinate to the position of Project Manager because they require less experience and knowledge than the Project Manager. The Project Manager is responsible for managing a division's construction projects. His management responsibilities include, but are not limited to, planning all aspects of the construction activities, maintaining strong working relationships and coordinating with contractors, participating in developing capital budget items related to specific high priority projects, assisting in the preparation of bid packages and review of construction bids and proposals, and approving progress payments, resolving construction issues, and scheduling the construction of projects to ensure their timely completion. The Field Engineer is responsible for the following duties: inspecting assigned construction projects, reviewing and recommending approval of construction submittals and shop drawings, preparing and monitoring construction schedules, responding to requests for information, and other duties related to field engineering. The Assistant Field Engineer assists the Field Engineer to perform observation and inspection of construction, reviewing submittals and shop drawings, observe and schedule a variety of tests and measurements, prepare requisitions, and other duties. All of the positions require a Bachelor of Science Degree in Civil Engineering. The position of Project Manager requires seven years of experience and performs more complex managerial duties, the Field Engineer requires a minimum of two years of experience and performs inspection and field construction administration tasks, and the Assistant Field Engineer is an entry-level position with limited experience that provides assistance by performing the less complex field engineering tasks.
- i. No, it is not possible to train an existing employee as a Field Engineer because all of San Gabriel's design and construction personnel are fully utilized to perform the duties of their current positions, and some of them are already overloaded trying to cover the some of the duties of multiple positions. Projects are at risk of falling further behind schedule. Overloading any one of them further with responsibilities and duties in addition to those they are currently required to perform would result in failure and would not be effective in managing the workload. San Gabriel has just recently promoted one of its Designer I employees to the position of Assistant Field Engineer. As a result, San Gabriel needed to hire a new employee to fill the open position of Designer I. San Gabriel requested the position of Field Engineer in the prior GRC (A.19-01-001). Cal-PA opposed the addition of this position, so the position was excluded from the settlement agreement and not authorized by D.20- 08-006. As explained in response to Request 1.a.iv above, the budget and workload have increased but the staffing remains insufficient to complete the workload. While the Assistant Field Engineer is currently assisting with inspection duties and acquiring the experience needed to perform as a Field Engineer for pipeline projects,



the position of Field Engineer requested in this GRC will perform inspections on plant improvement projects. Therefore, in order for the Assistant Field Engineer to acquire the skills and experience necessary to be promoted to the position of Field Engineer and assigned to perform inspection of plant construction projects, then San Gabriel would need to pull the Assistant Field Engineer away from pipeline inspection duties and request an additional Field Engineer to inspect the pipeline construction projects. As stated at lines 6 to 22 on page 224 of Exhibit SG-8, the Field Engineer requires specialized expertise due to the complexity of San Gabriel's water system. The Field Engineer is needed to assist the construction group with knowledge of equipment, materials, permit compliance requirements, and building codes by performing inspections with minimal supervision. To summarize, if there were an existing employee available to train into the position of Field Engineer, training that employee would require that the duties of his or her position be covered by additional personnel. Because of San Gabriel's workload, current staffing levels, and need for additional personnel, San Gabriel cannot train an existing employee into the position of Field Engineer.

RESPONDING WITNESSES: Yucelen

**REQUEST NO. 4:**

Regarding the Surveyor position request, in an email response dated 06.08.2022, SGVWC is budgeting approximately \$4 million in professional land survey services for the years 2022 through 2025 in both divisions to be performed by a combination of consultants and the in-house surveyor.

- a. Please breakdown how the \$4 million is allocated annually between 2022 through 2025.
- b. How did San Gabriel handle the responsibility of this position in the past?
- c. What does SGVWC estimate the annual Surveyor consultant costs to be in 2022 through 2025?
  - i. What are the projects related to this professional land survey services?
  - ii. Please provide a timeline of related projects in 2023, 2024, 2025, and 2026.
  - iii. Where in the RO model is SGVWC's estimation reflected?

**RESPONSE NO. 4:**

- a. Refer to **SLM-012 ATTACHMENT 4.a** for a breakdown for the budget that is allocated annually from 2022 through 2025 that requires professional survey services, which is more than \$4 million. The breakdown shows the total survey budget by project for each year, the total survey budget for the four years (2022 to 2025), and the total amount allocated for years 2024 and 2025, by the time San Gabriel will have the Surveyor on staff. The percentage of the survey budget for years 2024 and 2025 that will be allocated to performing surveying in-house is approximately 25% of the total budget for years 2024 and 2025. The remaining budget amounts would be performed primarily by consultants and contractors.

- b. San Gabriel requested the position of Surveyor in the prior GRC (A.19-01-001). Cal- PA opposed the addition of this position, and as a result, the position was excluded from the settlement agreement and not authorized by D.20-08-006. As a result of a lack of staff, San Gabriel explained in Exhibit SG-8 and by email dated June 8, 2022 from Joel Reiker to Sam Lam that San Gabriel has handled the responsibility of the position of Surveyor in the past by utilizing design personnel, outsourcing work to consultants, and requiring contractors to perform surveying work. As stated at lines 24 to 27 on Page 225 and at lines 1 to 13 of Exhibit SG-8, San Gabriel utilizes design personnel to prepare simple base maps from record maps for designs without the oversight of a professional land surveyor. The Surveyor is needed to ensure that the proper records are being referenced and that base maps precisely and accurately reflect the right-of-way information presented on those maps. As stated at lines 14 to 26 on Page 226, San Gabriel also retains the services of a professional land survey consultant to perform topographic and boundary surveys. Consultants are retained to perform topographic and boundary surveys for San Gabriel's plant construction projects, so that the elevations of the natural and finished grades and property boundary are reflected precisely and accurately. According to the Professional Land Surveyor's Act, only professional land surveyors licensed by the State of California may certify boundary surveys. However, San Gabriel needs the Surveyor to check the accuracy of the work prepared by consultants, pursuant to the Subdivision Map Act. Accordingly, a qualification for the position of Surveyor is a license as a professional land surveyor. As stated at lines 1 to 12 on Page 227, San Gabriel also retains the services of professional land surveyor consultants to prepare and process easements, records of surveys, parcel maps, and other legal documents related to rights-of-way. The Surveyor is needed to certify the documents and maps in order to secure permits from public agencies with jurisdiction over San Gabriel's plant improvement projects.

In addition to expenditures on professional land survey consultants that San Gabriel has outsourced, which were provided as ATTACHMENT A.2 to the June 8, 2022 email, San Gabriel stated that it must also rely on contractors retain the services of professional surveyors so that they construct new water facilities in the field at the precise and accurate locations specified on the design plans. The services provided by contractors to ensure proper execution of the work include topographic surveys, construction staking, alignment surveys, and as-built survey services. These surveying requirements are currently included in the general conditions of San Gabriel's construction contract documents, a copy of which was highlighted and provided with ATTACHMENT B.2 to the June 8, 2022 email. Furthermore, whenever work is outsourced to a professional land survey consultant, San Gabriel must perform numerous administrative operations and project management, supervision, and plan check duties to process and approve the work prepared by the consultant. San Gabriel must prepare proposal requests, evaluate bids, draft and execute contract documents, process invoices and progress payments, monitor the project schedule and budget, and review and check the work submitted by the consultants to ensure its compliance with San Gabriel's land survey standards. Accordingly, in addition to the average annual costs that were shown in ATTACHMENT A.2, San Gabriel explained that management, supervision, plan check, and overhead costs of approximately 30% of the expenditures on consultants need to be considered as a cost to outsourcing surveying services.

- c. Refer to **SLM-012 ATTACHMENT 4.a** for the survey project costs allocated for hiring and managing consultants, which are approximately \$3.5 million from 2022 to 2025.
  - i. The projects that require the services of a professional land surveyor are listed on the capital budget provided as Attachment A to Exhibit SG-8 and in **SLM-012 ATTACHMENT 4.a**. The specific main replacement projects that require base mapping and alignment surveys are provided in Enclosure 3 of Attachment D and Enclosure 4 of Attachment G to Exhibit SG-8.
  - ii. Refer to **SLM-12 ATTACHMENT 4.a** for the budget years for each survey project.
  - iii. These costs are reflected in the capital budget shown in WORKPAPER P1.

RESPONDING WITNESSES: Yucelen, Reiker

**REQUEST NO. 5:**

Regarding the Senior Engineer (LAC), on p. 228 of SG-8 (Yucelen), SGVWC states that SGVWC currently staffs one Design Supervisor in the FWC division, but does not have a similar position in the LA division – and that a senior engineer is needed in the LA division to work under the direction of the Design Manager and to coordinate the day-to-day tasks related to design of pipeline construction projects (p.228).

- a. Does a Design Supervisor and a Senior Engineer share similar job duties?
- b. Are there a difference in annual salary? If so, what is it?
  - i. Is it possible for San Gabriel to provide training to its existing staff to perform the responsibility of this position?

**RESPONSE NO. 5:**

- a. Yes and no, while both positions share similar job duties, in that they effectively supervise the main and service replacement program, the Senior Engineer has different qualifications, skills, and experience than the Design Supervisor, and as a result has a broader and deeper capacity to design projects and oversee the work of engineers and designers. The Senior Engineer will perform engineering work that includes performing design and hydraulic modeling and preparing calculations and specifications for advanced, complex water distribution and transmission infrastructure facilities, as well as providing supervision to the design of the main and service replacement program primarily for the Los Angeles County division, whereas the Design Supervisor is responsible for supervising the design of new and replacement main and water service projects in Civil3D or MicroStation for the Fontana Water Company division. With knowledge of both design and construction, the Senior Engineer can identify and avoid potential problems during the design phase. Accordingly, the job duties of the Senior Engineer and Design Supervisor are also different from one another. The position of Senior Engineer would provide supervision to and oversee the work of both engineers and designers at the Los Angeles County location and provide direct



construction support to the Field Engineer, because the Senior Engineer is a degreed and licensed employee, while the Design Supervisor is required to have only design and supervision experience and oversees the work of designers. The specific job duties of the Senior Engineer position are listed in the job description provided in Attachment I to Exhibit SG-8. The job duties of the Design Supervisor position are listed in the job description for the Design Supervisor position that was provided in Attachment 2 to the Supplemental Data Request filed with A.22-01-003.

- b. Yes, the salaries for the two positions are different because the qualifications of each position are different. The position of Design Supervisor requires a minimum of 10 years of civil engineering design experience without any college degree, while the position of Senior Engineer requires a Bachelor of Science Degree in Civil Engineering, seven years of experience in civil engineering, and registration as a Professional Engineer in the State of California. Moreover, the position of Design Supervisor is subordinate to the position of Senior Engineer and essentially assists the Senior Engineer to supervise the design of pipelines and water services, while the position of Senior Engineer is responsible for supervising the designs of pipelines and water services as well as preparing more complex water system improvement project designs and technical reports. The annual salary for the Design Supervisor and the proposed salary for the Senior Engineer are provided for the Test Year 2023-2024 in San Gabriel's Workpapers filed with A.22-01-003.
- i. No, it is not possible to train an existing employee for the position of Senior Engineer. San Gabriel cannot train one of its current employees to perform the duties of the Senior Engineer because San Gabriel's existing staff is fully utilized to perform the duties of their current positions, and some of them are already overloaded while performing some of the duties of multiple positions. Projects are already falling further behind schedule. Overloading any one of them further with responsibilities and duties in addition to those they are currently required to perform would result in failure. If San Gabriel were to train an Engineer to perform the duties of the Senior Engineer, the wave created by pulling the Engineer away from engineering duties would result in the need for an additional Engineer instead of the Senior Engineer, because the Engineer would be unable to perform the tasks of both positions at once. Additionally, the Design Manager would need to devote more time to training, which would result in his management duties falling further behind and potentially result in the further delay in the completion of design projects. This falling domino line of responsibilities would result in the failure of San Gabriel's water system improvement projects. They would not be completed on time or on budget. Moreover, the requested position of Senior Engineer has specialized education, skills, and experience, which are described in the job description provided in Attachment I to Exhibit SG-8. The effort required to train a junior employee to perform these duties would require about three to five years of training and guidance from the Design Manager and experience in solving complex engineering problems and preparing designs and reports to address them. Because San Gabriel needs the more experienced position of Senior Engineer to focus on performing more complex engineering duties and oversee more junior engineering positions now, San Gabriel cannot wait while the junior position is trained up and gains the necessary experience required to perform those duties. As a result, the prerequisite experience for the position is seven years of working

experience in solving complex engineering problems. Accordingly, San Gabriel is seeking experienced candidates who already have the education, background, and expertise necessary to perform the duties of the Senior Engineer.

RESPONDING WITNESSES: Yucelen

**REQUEST NO. 6:**

SGVWC states on p. 228 of SG-8 (Yucelen) that in the LA division, there is a backlog of designs or reports that need to be completed but have not been done because the Engineer was busy providing supervision on pipeline designs.

- a. What is the difference between the above stated Engineer and a Senior Engineer?
- b. Please provide the job duties for the two different positions.
- c. Please provide examples of incomplete designs or reports due to the bottleneck created by the Engineer.
- d. Please provide examples of designs or reports that missed the deadline due to the bottleneck created by the Engineer.

**RESPONSE NO. 6:**

- a. The multitude of differences between the Engineer and Senior Engineer are evident upon review of the job descriptions for both positions. Refer to the job description for Senior Engineer that was provided in Attachment I to Exhibit SG-8, and the job description for the Engineer position that was provided in Attachment 2 to the Supplemental Data Request filed with A.22-01-003 for the job specifications for each position. The differences between the Engineer and Senior Engineer consist primarily of differences in knowledge, skills, experience, and related responsibilities. The Senior Engineer has more knowledge of engineering practices and procedures than the Engineer, as a result of the Senior Engineer's greater tenure of experience. The Senior Engineer will have a minimum of seven years of experience, while the Engineer only requires three years of experience. The Senior Engineer must be licensed by the State of California as a Professional Engineer, whereas the Engineer must be qualified as an Engineer-in-Training. The Senior Engineer performs more complex engineering design, calculations, and analyses, and performs a higher level of supervision, than the Engineer, who is subordinate to and reports to the Senior Engineer. The Senior Engineer provides direction to and organizes the work of the engineers and designers and schedules the completion of their designs and tasks, while the Engineer provides guidance and supervision to designers. In addition to overseeing designs, the Senior Engineer also has knowledge of and experience with construction practices and assists in construction management and reporting, while the work of the Engineer is oriented in the office.
- b. As stated in response to Request 6.a above, the job duties of the Senior Engineer position are provided in the job description for Senior Engineer in Attachment I to Exhibit SG-8, and they are further explained at lines 7 to 27 on Page 228 and at lines 1 to 3 on Page 229 of Exhibit SG-8. The duties of the Engineer position are listed in the job description for the Engineer position that was provided in Attachment 2 to the Supplemental Data Request.

- c. Due to the current workload for the Engineer, the preliminary designs for the water treatment systems proposed at Plants No. 1 and No. 11 are still in process to be completed in order to submit to the City of El Monte for Condition Use Permits. The detailed designs for the new reservoir, retaining wall, grading, site improvements, and related work at Plant B14 were not able to be completed by the Engineer, and as a result, San Gabriel has outsourced the design of this project to a consultant. San Gabriel's design for the volatile organic compound ("VOC") treatment system at Plant B24 is still in process due to the heavy workload of the Engineer. The design of the Plant W6 booster station is currently in process while the Engineer determines the pump configuration and design requirements, so that the area and size of the booster station building can be finalized, and then the building designed. Several main replacement projects are also behind.
- d. The designs for the projects listed in response to Request 6.c above are all currently scheduled to be completed in 2022. The designs for the treatment systems at Plants No. 1 and 11 are new projects requested in this GRC. However, the designs for the projects at Plants B14, B15, B24, and W6 were scheduled to be completed in prior years and are now deferred to be completed in 2022, as a result of a lack of personnel. In addition, of the several main replacement projects that were scheduled for design and completion in 2019, 2020, and 2021 are currently in design, some are scheduled to be completed in 2022, and others are deferred to be completed in later years.

RESPONDING WITNESSES: Yucelen

Please call me at (626) 448-6183 with any questions regarding this information.

Sincerely,

/s/ Joel M Reiker

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Joel M. Reiker  
Vice President, Regulatory Affairs

Cc: Sam Lam [sam.lam@cpuc.ca.gov](mailto:sam.lam@cpuc.ca.gov)

/encl.

**Attachment 1-6: San Gabriel's 06.08.2022 Email Response to Discovery  
Regarding GIS Developer, Attachment A.3**

San Gabriel Valley Water Company  
Outsourced GIS Services  
2017 to 2021

Attachment A.3

Outside Services GIS Development Consultants	2017	2018	2019	2020	2021	Total (2017-2021)	5-Year Total Present Value (2022)	Average Annual Expenditures (2022)
Miller Spatial	\$ 14,050	\$ -	\$ -	\$ -	\$ -	\$ 14,050	\$ 17,932	\$ 3,586
Pivotal Adaptive Services	\$ -	\$ -	\$ -	\$ -	\$ 2,450	\$ 2,450	\$ 2,695	\$ 539
Spatial Wave	\$ 61,598	\$ 111,888	\$ 145,204	\$ 59,170	\$ 56,400	\$ 434,259	\$ 516,344	\$ 103,269
Totals	\$ 75,648	\$ 111,888	\$ 145,204	\$ 59,170	\$ 58,850	\$ 450,759	\$ 536,970	\$ 107,394

Attachment 1-7: San Gabriel's 06.08.2022 Email Response to Discovery Regarding  
Surveying Consultant, Attachment A.2

San Gabriel Valley Water Company  
Outsourced Survey Services  
2017 to 2021

Attachment A.2

Outside Services Survey Consultants	2017	2018	2019	2020	2021	Total (2017-2021)	5-Year Total Present Value (2022)	Average Annual Expenditures (2022)
Calvada	\$ -	\$ 4,410	\$ 2,560	\$ 7,460	\$ 95,390	\$ 109,820	\$ 122,280	\$ 24,455.90
Civiltec	\$ -	\$ -	\$ -	\$ 32,685	\$ -	\$ 32,685	\$ 39,549	\$ 7,909.77
Conaway Geomatics	\$ -	\$ -	\$ -	\$ 22,895	\$ 54,792	\$ 77,687	\$ 87,974	\$ 17,594.72
Converse Construction	\$ -	\$ -	\$ 12,328	\$ -	\$ -	\$ 12,328	\$ 14,271	\$ 2,854.24
Dawson Surveying	\$ 4,940	\$ 3,990	\$ 14,084	\$ 14,450	\$ 8,690	\$ 46,154	\$ 54,502	\$ 10,900.44
Eadson and Associates	\$ 24,220	\$ 14,231	\$ 22,924	\$ -	\$ -	\$ 61,375	\$ 74,747	\$ 14,949.36
Pivotal Adaptive Services	\$ -	\$ -	\$ -	\$ -	\$ 28,491	\$ 28,491	\$ 31,340	\$ 6,268.02
The Prizm Group	\$ -	\$ 1,490	\$ -	\$ 2,500	\$ -	\$ 3,990	\$ 4,836	\$ 967.22
WestLAND Group	\$ -	\$ 46,568	\$ 12,325	\$ -	\$ -	\$ 58,893	\$ 70,871	\$ 14,174.28
West Yost	\$ -	\$ -	\$ -	\$ -	\$ 34,358	\$ 34,358	\$ 37,794	\$ 7,558.76
Totals	\$ 29,160	\$ 70,689	\$ 64,221	\$ 79,990	\$ 221,721	\$ 465,781	\$ 538,164	\$ 107,633



**Attachment 1-8: San Gabriel's response to Cal Advocates' DR LCN-018 (Misc. 3), Attachment LCN-018, Q1.**

**REQUEST NO. 1:**

Please refer to Exhibit SG-4 (Brown), PDF pages 3-5.

- a. How many employees in the past 5 years have left SGVWC specifically because a Health Reimbursement Arrangement Plan was not available? Please provide supporting documentation.
- b. How many employees in the past 5 years have not accepted an offer to work at SGVWC specifically because a Health Reimbursement Arrangement Plan was not available? Please provide supporting documentation.

**RESPONSE NO. 1:**

a., b. San Gabriel does not track this information. As explained on page 1, line 22, through page 2, line 6, of EXHIBIT SG-4 (Brown), San Gabriel is proposing this new plan because it offers retirees a flexible and low-cost benefit to help them pay for a portion of their qualified medical expenses that are not paid for by Medicare or supplemental insurance. Historically, many of San Gabriel's employees delayed retirement for years due to the significant additional medical costs associated with retirement, electing instead to continue working in order to retain their employee healthcare benefits. San Gabriel must also compete with other utility providers to attract and retain qualified employees. Many of these other water utilities provide generous post-retirement healthcare benefits.

**Attachment 1-9: San Gabriel's response to Cal Advocates' DR LCN-016 (Misc.), Attachment LCN-016 Employee Turnover.xlsx.**

## Employee Turnover Rate by Division

	General			Los Angeles County			Fontana Water Company		
Year	Average # of Employees	Separated Employees	Turnover Rate	Average # of Employees	Separated Employees	Turnover Rate	Average # of Employees	Separated Employees	Turnover Rate
2012	69	4	5.84%	85	1	1.18%	98	3	3.06%
2013	72	2	2.80%	85	2	2.35%	98	6	6.15%
2014	73	2	2.76%	86	2	2.34%	100	4	4.02%
2015	74	3	4.08%	86	6	6.98%	99	8	8.08%
2016	75	7	9.33%	86	6	6.98%	98	6	6.15%
2017	76	7	9.21%	88	3	3.41%	99	8	8.08%
2018	77	4	5.23%	92	3	3.26%	100	7	7.00%
2019	74	3	4.08%	95	6	6.32%	100	3	3.02%
2020	76	6	7.89%	94	6	6.38%	100	5	5.03%
2021	83	5	6.06%	93	6	6.45%	96	5	5.21%

## CHAPTER 2 GENERAL OFFICE RATE BASE

### I. INTRODUCTION

This chapter addresses SGVWC's GO Rate Base request for TY 2023-2024. The GO division rate base is comprised of assets common to both the LA and FWC divisions. SGVWC has made the ratemaking adjustments to the recorded utility plant balances to remove 66% of the administrative office in FWC that is directly assigned to the FWC division and for disallowances required by D.07-04-046 and D.09-06-027.

### II. SUMMARY OF RECOMMENDATIONS

- The Commission should adopt Cal Advocates' Phase II of the IT Upgrade Project's cost recovery methodology recommendation.
- The Commission should adopt Cal Advocates' vehicle replacement methodology recommendation.

### III. ANALYSIS

#### A. IT Upgrade Project – Phase I and Phase II

D.17-06-008 (A.16-01-002) authorized a phased approach for SGVWC to replace/upgrade its legacy financial, work management, payroll, and human resources information systems ("FMIS") and billing systems ("CIS"). In D.17-06-008, Ordering Paragraph No.1, and Appendix C, p.9, the Commission approved this phased approach subject to a "hard cap" of \$14 million for the total project (consisting of Phase I and Phase II).<sup>65</sup>

SGVWC completed Phase I of the IT Upgrade Project, which included implementation of its FMIS, in June 2020.<sup>66</sup> SGVWC has since turned its attention to

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<sup>65</sup> D.17-06-008, Ordering Paragraph No. 1, and Appendix C thereto, p. 9.

<sup>66</sup> Exhibit SG-5 (Harris), p.13.

1 Phase II, replacement of its CIS program.<sup>67</sup> The Phase II project is expected to go live in  
2 December 2022.<sup>68</sup>

3 The Commission has previously set a hard cap of \$14 million for the total project  
4 budget and should not authorized any exceedance of that amount be put into rates.<sup>69</sup>  
5 SGVWC projects that it will spend \$7,869,000 on the Phase II project; breaking down to  
6 \$3,255,000 in 2021 and a further \$4,614,000 in 2022.<sup>70</sup> Combined with the prior  
7 expenditures for Phase I, this would put the total cost of the project at \$15,330,233.<sup>71</sup>  
8 SGVWC recorded the 2021 expenses in Construction in Progress (“CIP”) and the 2022  
9 expense in the GO division’s capital budget.<sup>72</sup> However, as the project is not yet used  
10 and useful and will not be used and useful until December 2022, the Phase II’s cost  
11 should not be included in the division’s CIP and capital budget until 2023. The Phase  
12 II’s project cost should be included in 2023’s capital budget.

13 In addition, SGVWC already spent \$7,461,233 on the Phase I of the IT Upgrade  
14 Project,<sup>73</sup> the adopted cost of the Phase II project should be the difference between the  
15 hard-capped \$14M total project budget and the Phase I cost. Therefore, the Commission  
16 should adopt a capital budget addition of \$6,538,767 in 2023 and disallow SGVWC from  
17 recovering Phase II project costs until the project is used and useful.

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<sup>67</sup> Exhibit SG-5 (Harris), p.13.

<sup>68</sup> Exhibit SG-5 (Harris), p.16.

<sup>69</sup> D.17-06-008, Ordering Paragraph No.1, and Appendix C, p.9, the Commission approved this phased approach subject to a “hard cap” of \$14 million for the total project.

<sup>70</sup> Exhibit SG-5 (Harris), p.16.

<sup>71</sup> Phase I cost + Phase II cost = 7,471,233 + 7,869,000 = 15,330,233. Attachment 2-1: Response to DR SLM-005.

<sup>72</sup> GRCWorkpapers, Worksheets: P1, P2.

<sup>73</sup> Exhibit SG-5 (Harris), p.19.

1                   **B. Vehicle Replacement Program**

2                   The Commission should authorize a TY 2023-2024 vehicle replacement program  
3 budget of \$210,000 for the GO division. The Commission should adopt a general vehicle  
4 replacement approach outlined in Cal Advocates’ testimony on vehicle replacement in  
5 the operating division reports. In summary, vehicles that are not expected to reach the  
6 replacement mileage threshold between July 2023 and June 2026 (GRC years) under the  
7 Department of General Services (“DGS”) guidelines should be removed from the  
8 replacement request. The Commission should only authorize vehicle replacement for  
9 vehicles that meet DGS’s vehicle replacement criteria. The Commission should  
10 authorize a vehicle replacement program of six vehicles in 2023, five vehicles in 2024,  
11 and four vehicles in 2025.

12                  The Commission should adopt a vehicle replacement budget of \$42,000 per  
13 vehicle for vehicles that meet DGS’ replacement criteria. SGVWC expects to replace an  
14 average of five vehicles per year in the GO throughout the GRC cycle.<sup>74</sup> Therefore,  
15 \$210,000 is a reasonable annual vehicle replacement budget.<sup>75</sup> SGVWC proposes a  
16 vehicle replacement budget of \$56,000 per vehicle.<sup>76</sup> During a field visit, SGVWC states  
17 that it has based this amount on the cost of a Ford Mustang model Mach E, but added that  
18 SGVWC does not plan to purchase that model and used this figure as a placeholder.

19                  In discovery, SGVWC stated that it is considering purchasing the Hyundai Santa  
20 Fe Plug-in Hybrid (PHEV) for \$42,000 each and the Ford F-150 Lightning for \$70,000  
21 each (or \$58,000 after incentives).<sup>77</sup> The Commission should reject SGVWC’s base  
22 price of \$70,000 for the Ford F-150 Lightning. The Pro trim of this vehicle starts at a  
23 cost of \$40,000; the Pro trim is intended for fleet/commercial purposes and would meet

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<sup>74</sup> Attachment 2-2: Response to DR LCN-015.

<sup>75</sup> \$42,000 per vehicle x 5 vehicle replacements per year = \$210,000 annual vehicle replacement budget.

<sup>76</sup> Exhibit SG-8 (Yucelen), p.109.

<sup>77</sup> Attachment 2-2: Response to DR LCN-015.



1 SGVWC's needs.<sup>78</sup> There is also reasonable doubt whether SGVWC will be able to  
2 purchase the intended 5 to 7 F-150 Lightnings every year in this GRC cycle. The F-150  
3 Lightning sold out in 2022 and it is unclear whether production will catch up to the  
4 demand.<sup>79</sup> In addition, the F-150 Lightning is an all-electric vehicle that depends on  
5 available charging. SGVWC should update its emergency response plans to show that  
6 essential services can be maintained if a power outage leaves the EVs unable to charge.

7 SGVWC does not need to replace all of its existing GO vehicles with four/all-  
8 wheel drive vehicles. The GO division has executive, legal, and human resources staff  
9 that do not need to visit plant sites often. For this reason, SGVWC can replace its Ford  
10 Fusion PHEVs with Ford Escape PHEVs for around \$37,000 per vehicle.

11 The Commission does not need to select an exact model of replacement vehicle  
12 for SGVWC for field and general purposes. Instead, the Commission should adopt a  
13 reasonable GO vehicle replacement budget of \$42,000 per vehicle, based on the Hyundai  
14 Santa Fe PHEV and the Pro trim Ford F-150 Lightning which gives SGVWC flexibility  
15 in purchasing vehicles that are less or more expensive than the average budget of \$42,000  
16 per vehicle. The annual vehicle replacement budget is projected to be \$210,000, based  
17 on the replacement of five vehicles per year.

#### 18 IV. CONCLUSION

19 The Commission should adopt Cal Advocates' Phase II project cost recovery  
20 recommendation and vehicle replacement program recommendation.

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<sup>78</sup> <https://media.ford.com/content/fordmedia/fna/us/en/products/commercial/f-150-lightning-pro/2022-f-150-lightning-pro.html>

<sup>79</sup> <https://fordauthority.com/2022/01/2022-ford-f-150-lightning-ford-e-transit-fleet-orders-put-on-hold/>

## **Attachment 2-1: Response to DR SLM-005**

*Note: The following data response has been reformatted to include in this Report.*

## **SAN GABRIEL VALLEY WATER COMPANY**

March 4, 2022

Mehboob Aslam

Water Branch, Cal PA  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**(by email)**

Re: **Response to Data Request No. SLM-005 (IT Project Upgrade)**

Dear Mr. Aslam:

In response to your data request dated February 25, 2022, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

### **REQUEST NO. 1:**

Please provide all information related to the Phase I of SGVWC's IT Business Systems Upgrade Project.

- a. Please itemized all expenses incurred, in Generally Accepted Accounting Principles (GAAP) format and in an editable Excel format.
- b. Please provide records of itemized expenses.
- c. Please provide justification for all items, which contribute to cost overruns.

### **RESPONSE NO.1:**

For the general ledger transactions supporting the cost of Phase I of SGVWC's IT Business Systems Upgrade Project, please see the attachment **SLM-005(1a-b).xlsx**. An analysis of the difference between the original cost estimate and final cost is shown on attachment **SLM-005(1c).xlsx**.

RESPONDING WITNESSES: Harris/Reiker

**REQUEST NO. 2:**

Please provide all information related to the Phase II of SGVWC's IT Business Systems Upgrade Project.

- a. Please itemized all expenses proposed, in GAAP format and in editable Excel format.
- b. Please provide justification for all proposed expenses.

**RESPONSE NO.2:**

Please see the attachment **SLM-005(2).xlsx**.

RESPONDING WITNESSES: Harris/Reiker

Please call me at (626) 448-6183 with any questions regarding this information. Sincerely,

/s/ Joel M

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Reiker Joel M. Reiker  
Vice President, Regulatory Affairs

Cc: Sam Lam [sam.lam@cpuc.ca.gov](mailto:sam.lam@cpuc.ca.gov)

/encl.

**Attachment 2-2: Response to DR LCN-015**

*Note: The following data response has been reformatted to include in this Report.*

## **SAN GABRIEL VALLEY WATER COMPANY**

April 22, 2022

Mehboob Aslam

Water Branch, Cal PA  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**(by email)**

**Re: Response to Data Request No. LCN-015 (Vehicle Replacement)**

Dear Mr. Aslam:

In response to your data request dated April 13, 2022, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

**REQUEST NO. 1:**

Provide a chart in Excel format, with the categories of information provided below, for each vehicle that SGVWC requests to replace:

[TABLE OMITTED]

**RESPONSE NO. 1:**

Refer to **LCN-015 ATTACHMENT A** for the requested chart. RESPONDING WITNESS: Yucelen

**REQUEST NO. 2:**

Provide a detailed explanation of why each proposed vehicle is necessary. Provide your response in the same Excel spreadsheet in response to item no.1 above.

**RESPONSE NO. 2:**

Refer to **ATTACHMENT A** for the explanation of the need for each proposed vehicle. RESPONDING WITNESS: Yucelen

**REQUEST NO. 3:**

Provide a list of new vehicles that SGVWC is proposing to **add** in this GRC (not replacing existing vehicles), include Division Name (Los Angeles, Fontana, or General Office), PID#, Year, Make, Model, Gross Vehicle Weight Rating (GVWR), Primary Use and Actual Cost of each proposed vehicle. For each vehicle explain in detail why the vehicle is needed. Provide the list in Excel format.

**RESPONSE NO. 3:**

Refer to **LCN-015 ATTACHMENT B** for a chart listing requested information for the new dump truck that San Gabriel will add in 2022. The purchase of this new vehicle was authorized by D.20-08-006 for purchase in 2022. The vehicle is requested again for purchase in 2022, as previously authorized.

RESPONDING WITNESS: Yucelen

**REQUEST NO. 4:**

For each vehicle and applicable upfitting(s) in each division (Los Angeles, Fontana, or General Office), provide a detailed explanation of how the proposed unit costs for each vehicle class were derived. Include supporting documents including vendor's quotes, invoices, etc. from any vendor SGVWC obtained price quotes/estimates from.

**RESPONSE NO. 4:**

San Gabriel prepared its capital budget in 2021 while the economy was experiencing numerous impacts and changes, including, but not limited to, extensive labor shortages, severe and unexpected supply chain disruptions, and shortages of raw materials and manufactured products. These economic impacts and changes are extensively discussed in **EXHIBIT SG-8** (Yucelen) (pages 29 through 47). As discussed in **EXHIBIT SG-8**, the effects of these economic impacts and changes, such as inflation and scarcity, are occurring across the entire supply chain for vehicles. To prepare the capital budget, San Gabriel evaluated the needs for replacement vehicles and sought quotations and support from vehicle dealerships for the budgetary amounts for replacement vehicles. Because of disruptions to mining operations and manufacturing capacities that resulted from Covid-19 pandemic public health protective processes and related business restrictions, the lack of availability of raw materials such as steel and manufactured products, such as microchips and circuit boards, which are required to assemble and deliver replacement vehicles, a scarcity exists for vehicles, while the demand for vehicles has remained strong. San Gabriel has had difficulty in finding and obtaining price quotes for vehicles that are available for sale and has had to expand its search for vehicles and attempt to source them from numerous dealerships, wherever vehicles are available. Without access to price quotes for certain vehicles, San Gabriel needed to access vehicle market websites to build vehicles and price them on-line directly.

Additionally, San Gabriel wants to improve the energy efficiency of its fleet and utilize vehicles that can be passed down for use by multiple departments for multiple purposes, as they age. Doing so will extend the lives of the vehicles, reduce San Gabriel's impact on the environment by promoting the use of vehicles that rely on renewable energy, respond to climate



change by utilizing vehicles that result in reduced greenhouse gas emissions, and meet with environmental and social justice goals of the California Public Utilities Commission (“CPUC”) related to clean energy and air quality, as explained starting at page 235 (Line 13) and concluding on Page 236 (Line 11) of **EXHIBIT SG-8**. Accordingly, San Gabriel is seeking to purchase more vehicles powered by electricity, instead of strictly by fossil fuel.

San Gabriel primarily utilizes and relies on vehicles manufactured by Ford because San Gabriel’s automobile mechanics and technicians are familiar with Ford vehicles. San Gabriel has acquired and utilized diagnostic equipment from Ford to evaluate the conditions of vehicles in order to maintain them. In prior years, San Gabriel purchased plug-in hybrid Ford Fusion vehicles that were available. San Gabriel’s initial experience with the Ford Fusion plug-in hybrids was that the small sedan had an improved fuel economy, functioned as an efficient form of local transportation, and reduced greenhouse gas emissions, and that the passenger vehicle could be effectively utilized by office managers and office supervisors. However, it is not feasible for San Gabriel to pass down the Ford Fusion from its initial general office use to other departments for use in the field because of its small size and low profile. The passenger vehicle cannot be used by personnel involved in operations and construction, including superintendents, foreman, construction and field supervisors, field engineers, and inspectors, who need to visit the field frequently. Because of its low profile, the passenger vehicle cannot access the uneven surfaces of construction sites and plant facilities without risk of being damaged. While the passenger vehicle was difficult to utilize in the field, Ford stopped the Fusion production in 2021. Operations and construction personnel need a sport utility vehicle (“SUV”) or a utility truck that is built with a higher profile and a more durable frame that can withstand rugged field conditions. They need vehicles with the capacity to carry personnel, tools, and equipment to construction sites. Ford Explorers have been suitable as utility vehicles for both office and field use, and San Gabriel has utilized them for several years. They have a higher profile and are able to access construction sites and plant facilities and are built to travel across the unfinished surfaces operations and construction personnel need to access. However, until recently, only the gas-powered Ford Explorer model was offered.

San Gabriel has been seeking a suitable SUV or truck that is powered by electricity. With the right vehicle, San Gabriel saves on gas consumption, reduces greenhouse gas emissions, and passes those benefits into the environment. San Gabriel reviewed and evaluated the specifications for vehicles that were available and suitable for both general office use and for operations and construction. At the time the budgets were prepared, the only full electric vehicle that was available to order from Ford was the Mach-E utility vehicle. Ford also offered a hybrid electric Explorer model, but the only hybrid Explorer model available is the Limited model with rear wheel drive, which in San Gabriel’s experience does not perform effectively in the field. Accordingly, San Gabriel utilized the quotation for the Mach-E in 2021 and applied an escalation factor to the quotation to arrive at a budgetary estimate for 2022, in order to ensure the budget was sufficient to cover the costs of the general office vehicles. For fleet vehicles, San Gabriel utilized quotations for replacement vehicles with similar specifications to existing vehicles, including the Ford Ranger, Ford F350, Ford F450, and Ford F550. The lack of availability of replacement vehicles along with the strong demand for them has caused the inflation of vehicle prices to surge. Discounts on the Manufacturer’s Suggested Retail Prices

("MSRP") for vehicles are seldom and vehicle prices continue to climb. Dealers are now adding market adjustments to the MSRP of vehicles of 10% to 20%.

Without any certainty on the availability of any of the vehicles, San Gabriel utilized the quotation for the Ford Mach-E to prepare the budget. The quotation dated 7/14/21 is priced at \$48,475.25, and on top of this quotation, the dealer might add up to \$10,000 in additional mark-ups. The quoted price of the vehicle plus the mark-up was escalated by 10%. Even with the dealer mark-up, when accounting for incentives, San Gabriel expected that the net cost of the full electric vehicle would fit within the budget of \$56,010. In consideration of inflation projections and on-going supply chain issues, the budgets in successive years 2023, 2024, and 2025 were escalated by approximately 10% per year.

For the fleet vehicles, the Ford F150 quotation dated 8/10/21 for \$52,026.75 was escalated by 10% to establish the 2022 budget. The Ford Ranger quotation dated 2/19/21 for \$28,418.25 plus tax was escalated 10% to establish its budget of \$34,640 in year 2022. From years 2022, the budgets for these fleet vehicles were then escalated by 10% each year through 2025. Quotations for other fleet vehicles, including the Ford F350, F450, F550, F650, and F750 were also considered when establishing the budgets for them. Information regarding the basis for those budgets is included in Account 373 of ATTACHMENTS D and G to **EXHIBIT SG-8**. Generally, the vehicle budgets were based on quotations provided to San Gabriel by dealers in 2021 or earlier and then escalated by 5% or 10% each year from the date of the original quote to the budget date. Refer to ATTACHMENT C for copies of 2021 dealer quotations San Gabriel considered when preparing its budgets for replacement vehicles. The difficulty with the preparation of the vehicle budget was that San Gabriel could not rely on quotations with the market conditions the way they were at that time and as they remain today, because of the probability that the vehicles San Gabriel is budgeting to purchase might not be available when they are needed, and those that are available will include a price mark-up from the dealership, or simply cost more as a result of inflation and supply chain issues.

As the budgets were developed, San Gabriel identified later vehicle offerings that might be suitable for both office and field uses, such as the full electric Lightning model Ford F150 utility truck and the Hyundai Santa Fe plug-in hybrid SUV. San Gabriel is considering the Ford F150 electric utility truck because it is a perfect fit for several reasons. First, it can be utilized by executives and then by operations, engineering, and construction personnel. The year-over-year overall cost of the Ford F150 electric utility truck will be much less considering it is fuel efficient, effective, and widespread utilization across the various departments for all of San Gabriel's daily functions. Next, it is sufficiently durable for utility work. Maintenance costs and downtime will be reduced because the Ford electric utility truck has fewer moving parts and does not need an oil change. Fuel costs will be reduced with savings on gas consumption. Ultimately, greenhouse emissions will be reduced. The lead time on delivery for the electric Ford F150 utility truck is six to seven months. Including tax credit incentives, the net cost is approximately \$58,000 without sales tax. Since San Gabriel has a fleet program with Ford Motor Company and deals directly with the manufacturer, no mark-up's or additional fees are applied to the vehicles San Gabriel purchases through this program. San Gabriel can build the trucks it orders through this program according to San Gabriel's specific needs. Moreover, as San Gabriel purchases more vehicles from Ford through the fleet program, San Gabriel qualifies

for a steeper discount that reduces the price of all of the vehicles purchased through this program. San Gabriel is considering the Hyundai Santa Fe plug-in hybrid SUV because of its long-term warranty and cost. However, since San Gabriel has never utilized vehicles manufactured by Hyundai, San Gabriel's garage staff is not familiar with them. Hyundai also does not offer a fleet discount program. Although the Hyundai Santa Fe plug-in hybrid SUV is currently offered for sale, the Hyundai plug-in hybrid vehicles are immediately sold as soon as they arrive at the dealership. Because of the strong demand, dealerships are marking up the price by up to \$10,000 on top of the MSRP. The current estimated price for the Santa Fe plug-in hybrid SUV, including the mark-up and tax credit incentives, is approximately \$42,000 without sales tax. Copies of quotations received in 2022 are provided with **LCN-015 ATTACHMENT C**.

RESPONDING WITNESS: Yucelen

**REQUEST NO. 5:**

Referring to Exhibit SG-8, Attachment D, "Account 373 – Transportation Equipment," Enclosure 3, SGVWC states that it uses an annual mileage "factored at 12,500." SGVWC also states that "a 5% escalation rate was applied to each year from 2021."

- a. Does SGVWC estimate, that on average, its vehicles across its three divisions accrue 12,500 miles annually?
- b. How did SGVWC determine the reasonableness of the 12,500 mileage factor?
- c. Provide the years that SGVWC studied to determine the average 12,500 annual mileage.
- d. Has SGVWC's average annual mileage changed during the years 2020 and 2021 compared to the past years 2015 to 2019?
- e. How did SGVWC determine the reasonableness of the 5% escalation rate?
- f. Provide SGVWC's calculation of the 5% escalation rate for vehicle costs in Excel format.
- g. Where SGVWC uses a different escalation rate than 5%, such as for the proposed 2023 "F350 X-Cab," explain SGVWC's reasoning for the different rate.

**RESPONSE NO. 5:**

- a. Yes, San Gabriel estimates that its passenger vehicles accrue approximately 12,500 miles annually.
- b. The 12,500-mile annual accrual is calculated based on the actual annual mileage accruals of the vehicle from zero mileage at the start of the model year to the mileage as of June 2021.

- c. The start of the study period over which the 12,500-mile annual mileage accrual rate were developed varies by vehicle according to its model year. For this budget cycle, the end of the study period is June 2021.
- d. No, the average of all annual mileage for all passenger vehicles from the model year of the vehicle to the current year is more than 14,000 miles, with some vehicles registering fewer than 14,000 miles and others registering more than 14,000 miles annually.
- e. The reasonableness of the escalation factors is justified in the discussion of the market conditions and inflation projections that are discussed in **EXHIBIT SG-8** (pages 29 through 47) and summarized briefly in response to REQUEST 4 of this data request. San Gabriel indicates that either a 5% or 10% escalation factor was applied to vehicle quotations. San Gabriel also demonstrates in response to REQUEST 5.f below that the prices of some vehicles have escalated by 10% or more in less than a year.
- f. The 5% and 10% escalation rates are based on San Gabriel's analysis of calculations for similar items and facilities that are summarized in TABLE 3 on Page 45. According to this table, escalation rates that for San Gabriel's water facilities and materials ranged from 8% to 17% based on increases in costs for labor and materials in recent years. The average of all of these escalation rates is 12%. San Gabriel utilized an even 10% for its vehicle budgets. With regard to vehicles, they are assembled with components and materials that are similar to San Gabriel's water facilities, such as the materials and components that are utilized in construction of reservoirs, booster stations, electrical equipment, and SCADA systems. These materials include steel, glass, circuit boards, and microchips. Accordingly, San Gabriel applied a similar escalation percentage to its vehicles budget. To further demonstrate the difficulty in applying an escalation rate to the vehicles budget and to emphasize that unknowns still exist in current market conditions, San Gabriel received a quotation for a Ford Mach-E dated 7/14/21 in the amount of \$48,475.25. A follow-up quotation dated 1/6/22 lists a price of \$62,233.22, which represents a 28% escalation rate over a period of less than six months. Calculations of the average escalation rate for San Gabriel's water facilities and current escalation rates for the Mach-E and Explorer Hybrid are provided as **LCN-015 ATTACHMENT D**.
- g. San Gabriel applied either the 5% or the 10% rate based on the price and size of the vehicles. Some of the larger utility trucks were escalated with the 5% rate, while the smaller general office and other fleet utility vehicles were escalated at a rate of 10%.

RESPONDING WITNESS: Yucelen

#### **REQUEST NO. 6:**

During the Public Advocates Office's visit to the Los Angeles Division on March 29, 2022, SGVWC's staff discussed that it was considering alternative vehicle models to the Mustang Mach-E that SGVWC uses in its Vehicle Replacement Schedule. Provide a list of the alternative vehicle models that SGVWC considers can adequately replace the same vehicles as the Mustang Mach-E with SGVWC's estimated cost per vehicle.

**RESPONSE NO. 6:**

During the March 29, 2022 visit, San Gabriel stated that the Mach-E was considered only for budgeting purposes because it was the only electric vehicle available from Ford at the time. During the visit, staff from the CPUC Public Advocates Office (“Cal-PA”) suggested that San Gabriel consider purchasing and using the Ford F150 electric utility truck. San Gabriel mentioned that the pricing for the Ford F150 electric truck was not available at the time the budget was prepared in early 2021 because the truck was not offered at that time. However, San Gabriel stated that the Company is strongly considering the Ford F150 electric utility truck because it is a right fit for a utility and advanced Cal-PA’s suggestion.

At this time, San Gabriel is considering the vehicles below. They are listed with their estimated costs:

- Ford F150 Electric Utility Truck = \$70,464  
- \$12,000 (tax credit incentives)  
\$58,464 (7.75% sales tax not included)
- Hyundai Santa Fe Plug-in Hybrid SUV = \$42,000  
+ \$10,000 (dealership mark-up)  
- \$10,087 (tax credit incentives)  
\$41,913 (7.75% sales tax not included)

RESPONDING WITNESS: Yucelen

**REQUEST NO. 7:**

During the Public Advocates Office’s visit to the Los Angeles Division on March 29, 2022, SGVWC also discussed electric vehicle incentives such as federal tax credits. Explain SGVWC’s proposed ratemaking treatment for electric and hybrid vehicle incentives.

**RESPONSE NO. 7:**

Any tax credit incentives for electric vehicles that are available from the Federal or State governments in 2022 are factored into the budgeted amounts. The incentives that are available in 2022 might also be available for budget years 2023, 2024, and 2025. However, tax credit incentives in those budget years 2023, 2024, and 2025 are subject to change depending on updates or changes to legislation and policies that are established by the Federal and/or State government for those years.

RESPONDING WITNESS: Yucelen

**REQUEST NO. 8:**

In excel format, provide a list of all current vehicles in the General Office Division, including the vehicle model, year purchased, current use, and current mileage.

**RESPONSE NO. 8:**

Refer to **LCN-015 ATTACHMENT E** for the requested data related to the General Office division vehicles.

RESPONDING WITNESS: Yucelen

Please call me at (626) 448-6183 with any questions regarding this information. Sincerely,

/s/ Joel M Reiker

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Joel M. Reiker  
Vice President, Regulatory Affairs

Cc: Lauren Cunningham ([lauren.cunningham@cpuc.ca.gov](mailto:lauren.cunningham@cpuc.ca.gov))

/encl

## CHAPTER 3 GENERAL OFFICE COST ALLOCATIONS

### I. INTRODUCTION

This chapter presents the analyses and recommendations for SGVWC's GO cost allocation request. GO division's operating expenses are developed and allocated to the two ratemaking divisions by applying the four-factor rates.

### II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt SGVWC's general office cost allocation methodologies.

### III. ANALYSIS

#### A. Allocation of Administrative Salaries and Other Costs to Affiliated Companies

SGVWC has four affiliated companies to which it attributes administrative salaries. Corporate officers and support personnel record their time spent on affiliate matters and monthly time sheets for these employees are accumulated.<sup>80</sup> An invoice is prepared for each affiliate, based on each employee's hourly rate multiplied by their time spent, plus an additional rate for their fringe benefits,<sup>81</sup> plus a further 10% addition for overhead.<sup>82</sup> If the employee is an officer of the Company, an additional 15% is added in addition to other charges, otherwise an additional 5% is added in compliance with D.12-01-042; R.09-04-012.<sup>83</sup>

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<sup>80</sup> Exhibit SG-5 (Harris), p.5.

<sup>81</sup> Fringe benefits are calculated after SGVWC's books are closed.

<sup>82</sup> Exhibit SG-5 (Harris), p.5.

<sup>83</sup> Exhibit SG-5 (Harris), p.5.



1           SGVWC conducted an Overhead Allocation Study of Costs Attributable to  
2   Services Provided to Affiliated Companies in a September 2021 study.<sup>84</sup> The study  
3   evaluated the adequacy of SGVWC's overhead rate applied for recovery of its overhead  
4   costs associated with services it provides to its affiliated companies and found that  
5   SGVWC's allocation of costs to affiliates is more than adequate and no revision to the  
6   overhead rate is required at this time.<sup>85</sup> The method and rate used to allocate overhead  
7   costs to affiliated companies is designed so that the amount is reasonable and supporting  
8   entries readily show the nature, amount and account ultimately charged.<sup>86</sup>

9           **B.     Four-Factor Allocation**

10          The Commission should adopt the four-factor rate, developed from recorded 2020  
11   data. The GO division operating expenses are generally allocable to the two ratemaking  
12   divisions (LA and FWC) on a four-factor basis. The four factors, each given equal  
13   weight, are as follows:

- 14                   a. Number of active service connections.
- 15                   b. Direct payroll expenses.
- 16                   c. Direct operating expenses excluding uncollectibles, general  
17                        expenses, depreciation, and taxes.
- 18                   d. Gross utility plant, less intangibles and plant common to all  
19                        divisions.

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<sup>84</sup> Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies

<sup>85</sup> Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies, p.18.

<sup>86</sup> Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies, p.17.

2. Four-factor rates, developed from recorded 2020 data for 2021 and Estimated Year 2022, are as follows:

Factor	Los Angeles County	Fontana Water Company	Total
a.	49.95%	50.05%	100.00%
b.	49.09%	50.91%	100.00%
c.	52.95%	47.05%	100.00%
d.	46.00%	54.00%	100.00%
Average	49.50%	50.50%	100.00%

3. Because of similar capital additions and other changes within the two ratemaking divisions in recent years, the 2021 four-factor rates are used for both Test Years:

Test Year	Los Angeles County	Fontana Water Company	Total
2023-2024	49.50%	50.50%	100.00%
2024-2025	49.50%	50.50%	100.00%

87

### C. Overhead Allocation Rate

The Commission should adopt SGVWC's overhead allocation rate to plant projects. In September 2021, SGVWC conducted a study, titled "Overhead Methodology and Rate Calculation Study" ("Study"), for the purpose of reviewing SGVWC's methodology for identifying and tracking its overhead costs and to determine if the calculation of overhead rates used to apply overhead costs to SGVWC's utility plant construction projects is adequate.<sup>88</sup>

## IV. CONCLUSION

The Commission should adopt SGVWC's GO cost allocation methodologies.

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<sup>87</sup> Exhibit SG-1 (General Division), p.4-1.

<sup>88</sup> Exhibit SG-5 (Harris), Attachment F, Overhead Methodology and Rate Calculation Study for SGVWC.

## CHAPTER 4 SPECIAL REQUESTS REVIEW

### I. INTRODUCTION

This chapter presents analysis and recommendations for SGVWC's following six Special Requests ("SRs"):

- SR 1: The Los Angeles County and Fontana Water Company divisions have operated in compliance with applicable safe drinking water quality standards since its last General Rate Case ("GRC").
- SR 2: Incorporate subsequent rate changes in the final decision in this GRC.
- SR 3: Incorporate the potential changes in revenues, rate base and the adopted number of customers due in the final decision of this GRC pertinent to the City of Montebello Acquisition final decision or give SGVWC the authority to establish a memorandum account to record such changes if the City of Montebello Acquisition proceeding is still pending when this GRC decision is issued.
- SR 4: Authorization to amortize the under-collected balance in various reserve accounts in the Los Angeles County division over 36 months by a single surcharge of \$0.1128 per Ccf, and to refund the balance in various reserve accounts over 12 months by a single fixed monthly surcredit of \$4.98. For Fontana Water Company division, authorize to amortize the under-collected balance in various reserve accounts over 12 months by a single surcharge of \$0.1772 per Ccf, and to refund the balance in various reserve accounts over 12 months by a single fixed monthly surcredit of \$7.01, and to close various memorandum accounts.
- SR 5: Implement a Credit/Debit card program and include its cost in rates
- SR 6: Confirm the name change of Low-Income Customer Rate Assistance Program
- SR 7: Allow disposition of the balance of Net Contamination Proceeds recorded in the LA County division Plaintiff Water Quality Litigation Memo Account (Plaintiff WQLMA)
- SR 8: Incorporate the most recent escalation factors

### II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt the following recommendations:

- 1       • SR 1: The Commission should find SGVWC's water systems in Los  
2 Angeles County and Fontana divisions to be compliant with the applicable  
3 water quality standards since its last GRC.
- 4       • SR 2: Approve the request to incorporate subsequent rate offsets in a final  
5 GRC decision, which results in either rate increase or decrease to the extent  
6 they are reasonable.
- 7       • SR 3: Approve the request to incorporate reasonable changes in revenues,  
8 rate base and the adopted number of ratepayers served as a result of the  
9 City of Montebello Acquisition final decision, or if the Acquisition decision  
10 is still not available before the final decision of the instant GRC proceeding  
11 then allow SGVWC a memorandum account (with an expiration day of  
12 July 1, 2026) to track the changes only in terms of water sales revenues and  
13 the purchase price of the acquired water system.
- 14       • SR 4: For Los Angeles County division, the Commission should require  
15 SGVWC to refund a total overcollection balance of \$574,566 as of  
16 December 31, 2021, as a fixed monthly surcredit, and order to close five  
17 memorandum accounts. For Fontana Water Company division, the  
18 Commission should require SGVWC to refund a total overcollection  
19 balance of \$878,402 as of December 31, 2021, as a fixed monthly surcredit,  
20 and order to close five memorandum accounts.
- 21       • SR 5: Approve the request to implement the Credit/Debit card program  
22 with a forecasted cost of \$631,251, which is \$131,998 less than SGVWC's  
23 requested amount of \$763,249.
- 24       • SR 6: Approve the request to change the name of the Low-Income  
25 Customer Rate Assistance Program to Customer Assistance Program  
26 ("CAP").
- 27       • SR 7: Require SGVWC to continue the Plaintiff WQLMA, keep the  
28 contamination net proceeds of \$9,928,724 in its Plaintiff WQLMA and  
29 reduce its working cash requirement by the same amount. If the  
30 Commission decides to allow SGVWC to amortize the net proceeds, it  
31 should allocate 67% to ratepayers and 33% to shareholders based on its  
32 prior decision, D.08-04-005.
- 33       • SR 8: Approve the request to incorporate the latest rates during the  
34 settlement process.

1     **III. ANALYSIS**

2             **A. Special Request 1: Compliance with Water Quality**

3             Cal Advocates examines the Los Angeles County and Fontana Water Company  
4     divisions' current and past violations, as well as water treatment procedures and found  
5     that these water systems have been in compliance with the applicable water quality  
6     standards since its last GRC. Please refer to the Chapter 15 of the Los Angeles County  
7     and Fontana Water Company divisions' report for more details.

8             **B. Special Request 2: Incorporate Subsequent Rate Changes**

9             Special Request #2 seeks to incorporate any rate changes approved by special  
10    applications in other proceedings, or by Advice Letter process after January 3, 2022  
11    (when this application was filed), and prior to the date of a Commission decision in the  
12    instant GRC proceeding.

13            Water rates can change outside a typical GRC application as the result of advice  
14    letter filings or other applications. Changes impacting the base rate can also occur as the  
15    result of a newly authorized rate of return, water cost offset(s), and other expenses.  
16    These base rate changes can be adopted and implemented while a GRC decision is  
17    pending. Unless specifically authorized, such base rate changes are not included in the  
18    GRC decision because the base rates adopted by the GRC decision supersede prior base  
19    rate adjustments. If this occurs after the GRC rates are implemented, SGVWC must  
20    make separate requests via application or advice letter to reinstate the prior base rate  
21    changes. This would be inefficient and could cause ratepayer confusion.

22            The Commission should approve Special Request 2 to incorporate adopted  
23    changes to base rates after January 3, 2022, into the final decision in this GRC because it  
24    will simplify and streamline the ratemaking process.

25            **C. Special Request 3: City of Montebello Acquisition**

26            In this Special Request, SGVWC requests that the Commission incorporate into its  
27    final decision any changes in revenues, rate base, and the adopted number of ratepayers

1 served as a result of the pending City of Montebello acquisition proceeding.<sup>89</sup> The  
2 potential acquisition of the City of Montebello water system is being considered in A.20-  
3 10-004. If the Montebello acquisition proceeding is still pending while a final decision is  
4 reached in this GRC proceeding, SGVWC requests the authority to open a memorandum  
5 account to record such changes.<sup>90</sup>

6 If the Commission issues a decision in A.20-10-004 prior to a final decision in this  
7 GRC, Cal Advocates agrees to SGVWC's request to incorporate reasonable changes in  
8 revenues, rate base, and the adopted number of ratepayers served pertinent to the  
9 acquisition. However, changes should be incorporated only in terms of changes in the  
10 sales revenues and acquisition price and should specifically exclude any subsequent  
11 capital improvement costs, which should be evaluated later once the incorporation is  
12 done.

13 SGVWC has included in this GRC the sales and revenue forecasts from the sale of  
14 potable water pursuant to the Water Service Agreement between it and the City of  
15 Montebello.<sup>91</sup> SGVWC has also included customers' allocation of contract revenues  
16 received from the City of Montebello in exchange for operating the City's water  
17 system.<sup>92</sup> Both of these forecasts will need to be removed from the calculation of the Los  
18 Angeles County division's revenue requirement if the Commission approves the  
19 acquisition prior to issuing its decision in this GRC.<sup>93</sup>

20 However, if the Commission's decision in A.20-10-004 has not yet been issued,  
21 then the Commission should allow SGVWC to establish a Montebello Acquisition  
22 Memorandum Account ("MAMA") to track only the difference between the monthly

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<sup>89</sup> A.20-10-004.

<sup>90</sup> See Direct Testimony of Mr. Joel M. Reiker, p. 56.

<sup>91</sup> SGVWC's workpaper titled 'GRCWorkpapers-2022', Tab RV1, lines 20 and 49.

<sup>92</sup> SGVWC's workpaper titled 'GRCWorkpapers-2022', Tab RV2, lines 406 and 407.

<sup>93</sup> See Direct Testimony of Joel M. Reiker, p. 57.

1 recorded revenues resulting from the rates adopted in this GRC, and the revenues that  
2 would have been recorded had the acquisition been approved. In other words, this  
3 account should only track the changes in the revenues and the purchase price of the water  
4 system and should expire on July 1, 2026 (the first day for SGVWC's next GRC test  
5 year).

6 The Commission should approve this Special Request and require SGVWC not to  
7 track any other revenue requirements, especially resulting from any subsequent capital  
8 improvements after the acquisition. If the Montebello Acquisition proceeding is still  
9 pending, SGVWC should only be permitted to include the changes in the water sales  
10 revenues and the purchase price of the acquired water system in the MAMA.

11 **D. Special Request 4: Amortizations of Memorandum and**  
12 **Balancing Accounts**

13 In the Special Request 4, SGVWC requests to amortize several reserve accounts  
14 balances in the form surcredits and surcharges for both Los Angeles County and Fontana  
15 Water Company divisions. Cal Advocates differs in the amounts of these surcredits and  
16 surcharges and discussed these recommendations in details in Chapter-13 of each  
17 division's report.

18 **E. Special Request 5: Credit/Debit Card Program**

19 In this Special Request, SGVWC proposes that the Commission grant the  
20 authority to implement a credit/debit card program designed to further assess customer  
21 interest and cost-effectiveness of a credit/debit card bill payment option.<sup>94</sup>

22 On September 23, 2021, Governor Newsom approved Assembly Bill ("AB")  
23 1058. AB 1058 indefinitely authorizes Class A Water Companies to recover reasonable  
24 expenses incurred in providing bill payment options to customers, including credit card,  
25 debit card, and prepaid card bill payment options, and shall not require the water  
26 corporation to impose a transaction fee on its customers.

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<sup>94</sup> See Direct Testimony of Joel M. Reiker, p. 62.



1 SGVWC has forecasted \$763,249 as the program cost for Test Year 2023-2024  
2 and includes this cost in Account 773 in the General division.<sup>95</sup>

3 SGVWC uses three-year (2018-2020) costs associated with credit/debit card  
4 payments to forecast the Test Year cost.<sup>96</sup> Cal Advocates requested the detailed  
5 calculation of SGVWC's forecasted \$763,249 in costs.

6 Three-years of data is inadequate to make a reliable forecast so Cal Advocates  
7 requested more available data that should include the year 2021 numbers. The addition  
8 of the year 2021 data in the forecasting calculation reduced the total forecasted cost from  
9 \$763,249 to \$631,251. Therefore, Cal Advocates recommends \$631,251, as the  
10 forecasted cost of this program.<sup>97</sup>

11 SGVWC provided credible evidence that credit/debit card bill payment options are  
12 popular, and the total number of payments made using credit/debit cards have been  
13 increasing overall since 2018 in the LA and FWC divisions.<sup>98</sup> Increased bill payment  
14 options are good for ratepayers. Furthermore, low-income ratepayers are not paying for  
15 the cost of the program.<sup>99</sup> To ensure that CAP customers are excluded from program cost  
16 recovery, in compliance with Public Utilities Code 755.5, as amended by AB 1058, the  
17 CAP discount for eligible customers will be increased by \$0.64/month. For these  
18 reasons Cal Advocates recommends accepting this Special Request to include the cost of  
19 the credit card payment pilot program in rates.

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<sup>95</sup> See Direct Testimony of Joel M. Reiker, p. 62.

<sup>96</sup> SGVWC's Response to Cal Advocates' DR JBQ-003 Q.2, workpaper titled "JBQ-003 ATTACHMENT 4"

<sup>97</sup> SGVWC's Response to Cal Advocates' DR JBQ-007 Q.2, workpaper titled "JBQ-007 ATTACHMENT 2"

<sup>98</sup> SGVWC's Response to Cal Advocates' DR JBQ-007 Q.2, workpaper titled "JBQ-007 ATTACHMENT 2"

<sup>99</sup> SGVWC proposes to increase the monthly discount by \$0.64/month for the customers enrolled in the CARW program. This amount is equivalent to the monthly incremental base rate impact of the credit/debit card program, thereby shielding CARW customers from having to pay for the cost of the program.

1 The Commission should accept this Special Request and allow SGVWC to  
2 implement the credit/debit card program and authorize a total cost of \$631,251 for the  
3 Test Year 2023-24. If SGVWC intends to make this program permanent, there would not  
4 be a need to further evaluate customer interest and its cost-effectiveness. This subject  
5 matter should be evaluated again in the next GRC, and the acceptance of this special  
6 request should not be considered as a precedent.

7 **F. Special Request 6: Low-Income Customer Rate Assistance**  
8 **Program Name Change**

9 In this Special Request, SGVWC proposes to confirm the name change of Low-  
10 Income Customer Rate Assistance Program to “Customer Assistance Program” (“CAP”)  
11 as ordered in D.20-08-047. In D.20-08-047, the Commission directed regulated water  
12 utilities to rename their customer rate assistance programs as “Customer Assistance  
13 Program” (“CAP”). In this GRC application, SGVWC has incorporated this required  
14 name change into its proposed tariffs.<sup>100</sup> This Special Request is largely procedural in  
15 nature to confirm the required name change that SGVWC has already incorporated.

16 The Commission should accept this Special Request and confirm SGVWC's  
17 compliance with D.20-08-047.

18 **G. Special Request 7: Disposition of Balance of Net**  
19 **Contamination Proceeds Recorded in LA County Division**  
20 **Plaintiff Water Quality Litigation Memorandum Account**  
21 **(Plaintiff WQLMA)**

22 In this Special Request, SGVWC requests that the Commission allow distribution  
23 of \$9,925,994 in contamination proceeds as of August 2021 by allocating 75% of it to  
24 shareholders and the remaining 25% to ratepayers.<sup>101</sup> Per SGVWC’s workpaper, the

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<sup>100</sup> Table 12F of SGVWC's A.22-01-003 Exhibits SG-2 and SG-3.

<sup>101</sup> See Direct Testimony of Joel M. Reiker, p. 64.

1 balance became \$9,928,724 as of December 2021, which is the balance Cal Advocates  
2 uses in its review.<sup>102</sup>

3 SGVWC has been incurring legal expenses in order to pursue polluters who are  
4 responsible for its groundwater contamination. This approach resulted in various  
5 settlement agreements<sup>103</sup> between the Company and the polluters in which the Company  
6 receives damage awards from the various polluters to address water contamination.<sup>104</sup>

7 The Commission directed SGVWC to use the Plaintiff WQLMA to record the  
8 proceeds recovered in the form of damage awards, that are not immediately recorded as  
9 contributions in aid of construction or offsets to operating expenses.<sup>105</sup> Plaintiff WQLMA  
10 is the memo account where SGVWC records the outside legal expense as a debit for  
11 expenses and money received as a credit.<sup>106</sup> The Company calculates its claimed net  
12 proceeds after adjusting for interest. The net proceeds are also called 'net contamination  
13 proceeds' and 'damage proceeds'.<sup>107</sup>

14 As of December 2021, the Plaintiff WQLMA had a debit balance (including  
15 accrued interest) of \$5,148,523 in outside legal and consulting costs. At the same time,  
16 the Plaintiff WQLMA had an after-tax credit balance (including accrued interest) of  
17 \$15,077,247 in groundwater contamination proceeds. Thus, the net proceeds balance  
18 booked in the Plaintiff WQLMA as of December 2021 is \$9,928,724.<sup>108</sup>

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<sup>102</sup> SGVWC's Response to Cal Advocates' DR JBQ-002 Q.2, workpaper titled "LA Plaintiff WQLMA."

<sup>103</sup> BPOU, SEMOU, PVOU.

<sup>104</sup> In both SGVWC's 2016 and 2019 GRCs, the parties agreed to defer the determination and allocation of the net proceeds recorded in the Plaintiff WQLMA for the next GRC. One of the reasons for that postponement was that SGVWC was in the negotiation process with polluters which was a bar to determine the actual net proceeds. See Direct Testimony of Joel M. Reiker, p. 70.

<sup>105</sup> SGVWC Preliminary Statement I1.

<sup>106</sup> SGVWC Preliminary Statement I1.

<sup>107</sup> See Direct Testimony of Joel M. Reiker, p. 63 and 69.

<sup>108</sup> SGVWC's Response to Cal Advocates' DR JBQ-002 Q.2, workpaper titled "LA Plaintiff WQLMA".

1 In this GRC, SGVWC proposes to allocate the net proceeds between shareholders  
2 (75%) and ratepayers (25%). SGVWC claims that the proposed shareholder portion  
3 (75%) will be utilized for investment in water quality-related utility plants.<sup>109</sup> The  
4 remaining 25% would be allocated to ratepayers as a refund.<sup>110</sup>

5 Cal Advocates recommends that if the Commission approves any allocation,  
6 ratepayers should receive at least 67% of the actual net proceeds, and shareholders should  
7 receive the remaining 33% as an adequate incentive for pursuing the polluters. This  
8 allocation is consistent with an earlier Commission decision regarding the sharing of  
9 SGVWC's contamination proceeds in its Fontana division where the Commission  
10 recognized that ratepayers are also harmed by the damages to the utility properties and  
11 they should receive most of the damage awards.<sup>111</sup> Cal Advocates recommended  
12 allocation will result in a lower ratebase, lower rates, and a larger refund that will benefit  
13 the ratepayers that what SGVWC has proposed.

14 More importantly, Cal Advocates recommends that amortization of the balance be  
15 postponed until such time as all debits and credits are resolved. This recommendation is  
16 also consistent with Commission precedent. In D.11-11-018, the Commission denied  
17 SGVWC's request to amortize the Plaintiff WQLMA, finding that the Company will  
18 continue to be involved in litigation and other activities that may affect the credit or  
19 expense balances in the account, and so any request to share the proceeds is premature.<sup>112</sup>  
20 As confirmed through discovery in the current proceeding, SGVWC will continue to  
21 incur additional expenses during necessary renegotiation of contracts related to

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<sup>109</sup> Direct Testimony of Joel M. Reiker's, p. 64.

<sup>110</sup> Direct Testimony of Joel M. Reiker's, p. 64.

<sup>111</sup> D.07-04-046, D.08-04-005 shares the contamination proceed in the SVGWC's Fontana division by a percentage of 67% to ratepayers, and 33% to shareholders.

<sup>112</sup> In the 2010 GRC for SGVWC LA division, the Company requested to recover the \$3.5M legal costs in the Plaintiff WQLMA.

1 contamination activities with the polluters.<sup>113</sup> Reimbursement from polluters could also  
2 change based on future renegotiation of the settlement agreements. Thus, it is reasonable  
3 to assume the final net proceeds are still unknown. The Commission should minimize  
4 ratepayer exposure to additional costs that could otherwise be offset with the current  
5 balance by not allowing the current balance to be amortized.

6 Additionally, the contamination proceeds recorded in the memorandum account  
7 are received from the polluters, not from the shareholders. Because SGVWC has access  
8 to this money, the Commission should reduce SGVWC's working cash requirement by  
9 \$9,928,724, which is the balance in the Plaintiff WQLMA as of December 2021.

10 The Commission should recognize the proper split of the net proceeds is 67% to  
11 the ratepayers, and 33% to the shareholders. But the Commission should not allow  
12 amortization of the Plaintiff WQLMA until it can be confirmed that ratepayers will not be  
13 required to pay future ongoing litigation expenses that could otherwise be offset by the  
14 balance. The Commission should also approve the removal of \$9,928,724 from  
15 SGVWC's working cash for the LA division. Finally, the Plaintiff WQLMA for the LA  
16 division should remain open as requested to capture future litigation related costs.

#### 17 H. **Special Request 8: Incorporate Most Recent Escalation** 18 **and Inflation Rates**

19 In this Special Request, SGVWC proposes to incorporate the most recent  
20 escalation rates published by Cal Advocates, and the most recent annual rate of inflation,  
21 as measured by the CPI-U, into the final rates adopted in this GRC.<sup>114</sup>

22 Escalation rates and the rate of inflation can vary. It is reasonable to use the most  
23 recent rates to capture the corresponding increase or decrease resulting from inflation.  
24 Therefore, Cal Advocates does not oppose this Special Request.

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<sup>113</sup> SGVWC's Response to Cal Advocates' DR JBQ-005, Q.3, Zoom meeting with SGVWC.

<sup>114</sup> See Direct Testimony of Joel M. Reiker, p. 75-76.

1           The Commission should accept this Special Request allowing to incorporate the  
2 latest rates during the time of final decision.

#### 3   **IV.   CONCLUSION**

4           The Commission should approve Cal Advocates' recommendations regarding the  
5 various special requests as follows:

- 6           • Special Request 1: The Commission should find SGVWC's Los Angeles  
7 County and Fontana Water Company divisions' water systems to be in  
8 compliance with the applicable state and federal water quality standards  
9 since its last GRC.
- 10          • Special Request 2: Approve SGVWC's request to incorporate subsequent  
11 rate offsets that result in either a reasonable rate increase or decrease, in the  
12 final decision of this GRC.
- 13          • Special Request 3: Approve SGVWC's request to incorporate reasonable  
14 changes in revenues, rate base and the adopted number of ratepayers served  
15 as a result of the City of Montebello Acquisition final decision, or if the  
16 Acquisition decision is still not available before the final decision of the  
17 instant GRC then allow SGVWC a have a memorandum account to track  
18 the changes only in the terms of the water sales revenues and the purchase  
19 price of the acquired water system.
- 20          • Special Request 4: For Los Angeles County division, the Commission  
21 should require SGVWC to refund a total overcollection balance of  
22 \$574,566 as of December 31, 2021, as a fixed monthly surcredit, and order  
23 to close five memorandum accounts. For Fontana Water Company  
24 division, the Commission should require SGVWC to refund a total  
25 overcollection balance of \$878,402 as of December 31, 2021, as a fixed  
26 monthly surcredit, and order to close five memorandum accounts.
- 27          • Special Request 5: Approve SGVWC's request to implement the  
28 Credit/Debit card program with a forecasted cost of \$631,251, which is  
29 \$131,998 less than what SGVWC has proposed.
- 30          • Special Request 6: Approve SGVWC's request to confirm the name change  
31 of the Low-Income Customer Rate Assistance Program to the Customer  
32 Assistance Program ("CAP").
- 33          • Special Request 7: Require SGVWC to keep the contamination net  
34 proceeds of \$9,928,724 in its Plaintiff WQLMA and reduce its working  
35 cash requirement by the same amount. If the Commission decides to allow  
36 SGVWC to amortize the net proceeds, it should allocate 67% to ratepayers

- 1 and 33% to shareholders based on its prior decision, D.08-04-005.  
2 SGVWC's Plaintiff WQLMA should remain open.
- 3 • Special Request 8: Approve the SGVWC's request to incorporate the latest  
4 rates during the final decision.



## **Appendix-A: Qualifications of Witnesses**

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
MEHBOOB ASLAM**

1       Q.1   Please state your name and business address.

2       A.1   My name is Mehboob Aslam. My business address is 320 West 4<sup>th</sup> Street,  
3       Suite 500, Los Angeles, CA 90013.

4       Q. 2   By whom are you employed and in what capacity?

5       A. 2   I am employed by the California Public Utilities Commission as a Public  
6       utilities Regulatory Analyst (PURA)-V.

7       Q. 3   Please briefly describe your educational background and work experience.

8       A. 3   I graduated from the University of Engineering & Technology, Lahore,  
9       Pakistan with a Bachelor of Science Degree in Mechanical Engineering, and also  
10      graduated from Western Kentucky University with a Master of Science Degree, in  
11      Business Administration with an emphasis in Accounting and Finance. I have been  
12      employed by the CPUC since 2001. From 2001 through 2002, I was a member of  
13      the Consumer Protection and Safety Division, where I was responsible for energy  
14      utilities' operating practices to enforce the rules and regulations relating to safe  
15      use of the plant and workforce. I Performed engineering reviews and conducted  
16      incident investigations for both gas and electric utilities. I have also helped resolve  
17      customers' complaints. From 2002 through present, I have been working for  
18      Division of Ratepayer Advocates in its Water Branch; mostly dealing with Class-  
19      A water utilities. I have performed evaluations of public utility plant and

1 properties, regulation of utility tariffs and rates, studies of cost of service, and  
2 studies of the utility's operating practices to enforce the rules and regulations  
3 relating to ratemaking. I have presented my findings and recommendations as an  
4 expert witness at public hearings before the Commission. I have also been actively  
5 involved with few of Commission's OIR/OII proceedings.

6 Q. 4 What is your area of responsibility in this proceeding?

7 A. 4 I am project coordinator in the SGVWC GRC proceeding and  
8 responsible for Executive Summary, Introduction and Summary (Chapter 1), and  
9 Escalation Years (chapter17) of the Public Advocates Office's Testimony for both  
10 LA and FWC division and Executive Summary for the General Office and Special  
11 Requests report.

12 Q. 5 Does this conclude your prepared testimony?

13 A. 5 Yes, it does.

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
SAM LAM**

1       Q.1   Please state your name and address.

2       A.1   My name is Sam Lam and my business address is 320 West 4th Street,  
3       Suite 500, Los Angeles, California 90013

4       Q.2   By whom are you employed and what is your job title?

5       A.2   I am employed by the Public Advocates Office – Water Branch and my job  
6       title is Public Utilities Regulatory Analyst

7       Q.3   Please describe your educational and professional experience.

8       A.3   I received a Bachelor of Science degree in Business Administration from  
9       the University of Southern California. I have been with the Public Advocates  
10      Office – Water Branch since August of 2019.

11      Q.4   What is your area of responsibility in this proceeding?

12      A.4   I am responsible for the preparation of Cal Advocates' testimony on the  
13      operating division's sales and rate design and the general office's expenses, rate  
14      base, and cost allocations.

15      Q.5   Does that complete your prepared testimony?

16      A.5   Yes, it does.

17

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
JAWADUL BAKI**

1       Q.1   Please state your name and address.

2       A.1   My name is Jawadul Baki, and my business address is 505 Van Ness Ave,  
3       California 94102.

4       Q.2   By whom are you employed and what is your job title?

5       A.2   I am a Public Utilities Regulatory Analyst in the Water Branch of the  
6       Public Advocates Office, California Public Utilities Commission.

7       Q.3   Please describe your educational and professional experience.

8       A.3   I have a Bachelor of Business Administration degree with a Finance Major  
9       and a Master's degree in Applied Economics. I have been with the Public  
10      Advocates Office since January 2020. I have prepared written testimony in the  
11      Cost of capital proceeding of 4 large Class A Water Utilities and the GSWC  
12      General Rate Case proceeding. I have also prepared written testimony for the San  
13      Jose Water Company's AMI application. Previously I have analyzed Balancing  
14      and Memorandum Accounts, Arrearage data, Low-income Rate Assistance data,  
15      and AMI metering technology. I have also conducted legislative Bill analysis  
16      related to water utilities and reviewed numerous Advice Letters covering a wide  
17      variety of ratemaking and auditing topics. I have presented my findings and  
18      recommendations as an expert witness at public hearings before the Commission  
19      and have testified in the evidentiary hearing.

1 Q.4 What is your area of responsibility in this proceeding?  
2 A.4 I am sponsoring Cal Advocates Office's Report on the Results of  
3 Operations, Chapter 12 – Income Taxes, and Chapter 13 – Balancing and  
4 Memorandum Accounts Review for both Los Angeles and Fontana Water  
5 Company Division. I'm also responsible for reviewing SGVWC's Special Request  
6 2 to Special Request 7.  
7 Q.5 Does that complete your prepared testimony?  
8 A.5 Yes, it does.

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
CHANDRIKA SHARMA**

1       Q.1   Please state your name and address.

2       A.1   My name is Chandrika Sharma, and my address is 505 Van Ness Avenue  
3       San Francisco, CA 94102.

4       Q.2   By whom are you employed and what is your job title?

5       A.2   I am employed by the California Public Utilities Commission as a Utilities  
6       Engineer.

7       Q.3   Please describe your educational and professional experience.

8       A.3   I have a Bachelor of Science Degree in Computer Engineering from San  
9       Francisco State University and an MBA from San José State University. I have  
10      been with the California Public Utilities Commission since October 2021.

11      Q.4   What is your area of responsibility in this proceeding?

12      A.4   I am responsible for preparing the section on Special Request #1 within  
13      Chapter-4.

14      Q.5   Does that complete your prepared testimony?

15      A.5   Yes.



**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
LAUREN CUNNINGHAM**

1       Q.1   Please state your name and address.

2       A.1   Lauren Cunningham. 505 Van Ness Ave, San Francisco, California, 94102.

3       Q.2   By whom are you employed and what is your job title?

4       A.2   I am employed by the California Public Utilities Commission's Public  
5       Advocates Office as a Public Utilities Regulatory Analyst.

6       Q.3   Please describe your educational and professional experience.

7       A.3   I graduated from Sacramento State University with a Bachelor's degree in  
8       Economics and minors in Spanish and Mandarin Chinese. I have been in this  
9       position since July 2020.

10      Q.4   What is your area of responsibility in this proceeding?

11      A.4   My areas of responsibility in this proceeding include Operations and  
12      Maintenance Expenses, Administrative and General Expenses, Conservation  
13      Expenses, and Taxes Other Than Income, as well as Health Reimbursement Plan  
14      section of the General Office report.

15      Q.5   Does that complete your prepared testimony?

16      A.5   Yes, that completes my prepared testimony.